TD/B/1096 (Vol. II)

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

TRADE AND DEVELOPMENT BOARD

Thirty-second session
(10-26 March and 16-17 June 1986)

OFFICIAL RECORDS
Supplement No. 1A

Report

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UNITED NATIONS
New York, 1992

NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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For the recommendations, resolutions, declarations and decisions adopted by the United Nations Conference on Trade and Development, see:

First session: *Proceedings of the United Nations Conference on Trade and Development*, vol. I, *Final Act and Report* (United Nations publication, Sales No. 64.II.B.11), pp. 18-65;

Second session: *Proceedings of the United Nations Conference on Trade and Development, Second Session*, vol. I and Corr.1 and 3 and Add.1 and 2, *Report and Annexes* (United Nations publication, Sales No. E.68.II.D.14), annex I, A, pp. 28-58;

Third session: *Proceedings of the United Nations Conference on Trade and Development, Third Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.73.II.D.4), annex I, A, pp. 53-114;

Fourth session: *Proceedings of the United Nations Conference on Trade and Development, Fourth Session*, vol. I and Corr.1, *Report and Annexes* (United Nations publication, Sales No. E.76.II.D.10), part one, sect. A, pp. 6-43;

Fifth session: *Proceedings of the United Nations Conference on Trade and Development, Fifth Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.79.II.D.14), part one, sect. A, pp. 6-50;

Sixth session: *Proceedings of the United Nations Conference on Trade and Development, Sixth Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.83.II.D.6), part one, sect. A, pp. 6-40.

Supplement No. 1 (TD/B/1096 (Vol. I)) contains the decisions adopted by the Board at its thirty-second session. The present Supplement No. 1A contains the full version of the report of the Board on that session.

TD/B/1096 (Vol. II)

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PREFACE

In accordance with the revised guidelines adopted by the Trade and Development Board in the annex to its decision 302 (XXIX) of 21 September 1984, a short version of the report of the Board on its thirty-second session has been submitted to the General Assembly;[a] the present document constitutes the full version of the report. The decisions adopted by the Board at the thirty-second session have been issued as Supplement No. 1, under the symbol TD/B/1096(Vol. I).

In the period preceding the thirty-second session of the Board, the following main Committees and subsidiary bodies of the Board were convened:

Title	*Report in document*
Intergovernmental Group on the Least Developed Countries (Sixth session: 30 September-12 October 1985)	TD/B/1078
Working Party on the Medium-term Plan and the Programme Budget (Tenth session: 14-18 October 1985)	TD/B/1079
Committee on Economic Co-operation among Developing Countries (Fourth session: 18-29 November 1985)	TD/B/1083
Committee on Commodities (Eleventh session: 2-13 December 1985)	TD/B/1085
Intergovernmental Group of Experts on Definitions and Methodology Employed in the UNCTAD Data Base on Trade Measures (3-7 February 1986)	TD/B/1088
Working Party on the Medium-term Plan and the Programme Budget (Eleventh session: 24-26 February 1986)	TD/B/1089

[a] *Official Records of the General Assembly, Forty-first Session, Supplement No. 15* (A/41/15), vol. I.

SYMBOLS OF UNCTAD DOCUMENTS

The documents of the United Nations Conference on Trade and Development, the Trade and Development Board and its main committees and subsidiary bodies are identified as follows :

First session of the United Nations Conference on Trade and Development	E/CONF.46/-
Subsequent sessions of the United Nations Conference on Trade and Development	TD/-
Trade and Development Board	TD/B-
Committee on Commodities	TD/B/C.1/-
Committee on Manufactures	TD/B/C.2/-
Committee on Invisibles and Financing related to Trade	TD/B/C.3/-
Committee on Shipping	TD/B/C.4/-
Special Committee on Preferences	TD/B/C.5/-
Committee on Transfer of Technology	TD/B/C.6/-
Committee on Economic Co-operation among Developing Countries	TD/B/C.7/-
Working Party on the Medium-Term Plan and the Programme Budget	TD/B/WP/-
Intergovernmental Group of Experts on Restrictive Business Practices	TD/B/RBP/-

Summary records

The summary records (where such records have been kept) of the debates in the plenary meetings of the Conference and its sessional committees, and of the Board, are referred to by the appropriate symbol of the body in question (see above) followed by the letters "SR". No summary records were provided for the fifth session of the Conference. In paragraph 5 of its decision 302 (XXIX) of 21 September 1984, the Board decided "to dispense henceforth with summary records for its plenary meetings".

Annexes

The texts of documents selected for inclusion in the records of the relevant session of the Board are issued as annexes to the *Official Records* of the Board pertaining to the relevant agenda items.

Supplements

The *Official Records* of the Board include numbered supplements containing reports and resolutions and decisions.

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ABBREVIATIONS

CMEA	Council for Mutual Economic Assistance
DAC	Development Assistance Committee (OECD)
ECA	Economic Commission for Africa
ECDC	economic co-operation among developing countries
EEC	European Economic Community
EFTA	European Free Trade Association
FAO	Food and Agriculture Organization of the United Nations
GATT	General Agreement on Tariffs and Trade
GDP	gross domestic product
GNP	gross national product
GSP	generalized system of preferences
ICA	international commodity agreement or arrangement
IDA	International Development Association
IMF	International Monetary Fund
IMO	International Maritime Organization
MFA	Arrangement Regarding Trade in Textiles (Multifibre Arrangement)
MFN	most favoured nation
OAU	Organization of African Unity
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
OPEC	Organization of the Petroleum Exporting Countries
TNC	transnational corporation
UNIDO	United Nations Industrial Development Organization

INTRODUCTION

1. The first part of the thirty-second session of the Trade and Development Board was opened on 10 March 1986 by Mr. M. Huslid (Norway), the outgoing *President.*

2. In his opening address he observed that during the preceding year there had been certain changes of perception with regard to some basic economic problems within other economic forums, in particular with regard to the debt problem in the IMF/World Bank meetings in Seoul in October 1985 and at the Group of Five meeting in New York in September 1985, on such matters as policy co-ordination to sustain growth and international monetary co-operation.

3. Those changes had gone rather in the same direction as the thinking in the *Trade and Development Report, 1985*[1] and the preponderant trend in the Board itself as reflected in the President's conclusions (see TD/B/1077(vol. II), annex II).

4. He felt that that showed UNCTAD to have been—at both the level of the secretariat and at the level of its intergovernmental machinery—at the forefront of thinking and deliberation. Activities in UNCTAD had played their role, if only a minor one, in the evolution of thinking and of the policy stances of the international community. It was natural that that should be the case, for UNCTAD, with its focus on development and its broad mandate in the fields of trade, money and finance, was uniquely equipped to address the interdependence of countries and of issues and problems and thereby act as a broad catalyst to the work in other organizations in the system. The successful and realistic way in which the Board had grappled with the very thorny problems of debt and development was an experience on which UNCTAD could build, with regard to both debt itself and other issues in the future, in particular when starting to prepare for the seventh session of the Conference.

5. He noted that, in spite of a heightened recognition of the growing interdependence between the North and the South, the North-South dialogue had been taking place under rather unfavourable circumstances in recent years. A certain inertia had been noticeable as well as an unwillingness to take concrete action that interfered with what was called the free play of market forces. The term "new international economic order", which in the 1970s had often been held up as a goal, was now heard far less.

6. Yet all agreed that a need did exist for a more developed, a more just world economic order.

7. No doubt it was hardly feasible in the long run to go against the market, yet the market alone was a most deficient and imperfect instrument as a regulator of international economic relations and development. Thus the market did not care about stability, but entailed on the contrary large fluctuations. Neither did the market bother about equality and justice but tended to bring about an unacceptable distribution of wealth. Lastly, the market did not concern itself with whether long-term development was jeopardized in the short-term economic process, for instance whether the environment was harmed or not.

8. At the national level all Governments had taken the consequences of those shortcomings of the market and had supplemented market forces with quite an array of incentives, rules and regulatory measures to bring about better stability.

9. At the international level, however, there was hardly any of that—and that was probably the main shortcoming of the current international economic order. The so-called free market forces were more or less the sole masters on the scene and the results were often less than satisfactory. Sometimes Governments felt obliged to step in, as witness the concerted action by the Group of Five in the autumn of 1985, in order to bring about better stability in exchange relations than the market alone had been able to produce. But similar concerted action was also called for in other areas. The debt problem and the whole fragile monetary situation stood out as an evident challenge.

10. The grave difficulties in the commodity sector likewise had demonstrated the need for co-operative and corrective action. UNCTAD's Integrated Programme for Commodities with a Common Fund for Commodities constituted a vision for such comprehensive, co-operative action in a field still so vital for many developing countries. Owing to the reticence and inaction of some countries, however, the Integrated Programme still mostly remained a dream.

11. He underlined the plight and misery of the poorest and least developed countries, a situation which certainly could not be remedied through the market but which simply cried out for concrete solidarity action by the international community.

12. He stressed that one needed, maybe more than ever, a comprehensive organization like UNCTAD where all could work together for a more just economic order. That was not easy and, in fulfilling its role, UNCTAD could not and should not be a peaceful, quiet and solely harmonious organization. UNCTAD must continue to be a constant reminder of the weaknesses, and in many respects the injustices, inherent in the world economic system. UNCTAD should also continually be

[1] United Nations publication, Sales No. E.85.II.D.16.

the organization of understanding and solidarity where different levels of economic strength and power were shared and co-ordinated for the common benefit of all, but with particular regard for the weakest and poorest.

13. Taking the Chair on his election as *President* of the Board, Mr. Witold Jurasz (Poland) observed that a much greater political resolve and closer international co-operation were needed to bring about positive changes in the world economy. That required a new assessment by Governments of their true, long-term national interest in the preservation of a growing world economy and one which should at least be more equitable in the opportunities it offered and the risks it imposed.

14. It was often claimed that in the current climate the only effective arguments were those based on economic self-interest alone.

15. He was acutely aware of the contagious pessimism of those who believed that the quest for more ambitious global approaches to the problems besetting the world economy was bound to be futile.

16. Yet he stubbornly refused to accept the view that the United Nations, and UNCTAD in particular, were making no more progress and had got themselves stuck in a blind alley with no way out in sight.

17. Stressing the seriousness of the tasks confronting the Board at the current session, he observed that the first general trend in many areas of UNCTAD negotiations was the refusal to give up and to stay with the process of argument and negotiations.

18. It was his sincere hope that, as UNCTAD came of age, it would become an even more mature international body within the United Nations system.

19. Secondly, he shared the views of his predecessors, who had emphasized the special catalytic role of UNCTAD, which should increasingly be used as a forum for constructive dialogue and collective action.

20. Thirdly, he stressed the significance of the Gorbachev-Reagan meeting for an improved political climate, greater security and smoother international co-operation.

21. That momentous meeting, the immediate positive impact of which was already being felt, augured well also for the consolidation and revitalization of multilateral co-operation, which was of the most crucial importance for the future undertakings of UNCTAD and its Board.

22. He strongly believed that the recently less elusive spirit of Geneva would also animate discussions resulting in a genuinely constructive dialogue among all.

23. His fourth reason for greater optimism was the unprecedented intensity of the general debate during the recent session—the fortieth anniversary—of the General Assembly, which had elevated economic issues to the pinnacle.

24. The fifth point was that the United Nations had responded with remarkable agility to meet the emergency requirements in Africa. Obviously, that widely admitted task-solving efficiency of the United Nations should become a salient feature of its mid-term and lo term operations.

25. His sixth contention was that the economic bate in UNCTAD and elsewhere might gain moment in 1986, the International Year of Peace, designed promote peace, international security and co-operat on the basis of the Charter of the United Nations. stressed that the Board might contribute to the streng ening of confidence and international economic securi

26. As his seventh point, he drew attention t marked tendency in the socialist countries, which had cently taken or announced further measures to pass or more intensive patterns of economic growth presupp ing a greater involvement in the international division labour.

27. There was thus a fair chance for a co-ordina response to the most vital global economic needs a "joint policy offensive" which might end the curr standstill.

28. Whether the seventh session of the Confere would succeed in converting ideas into issues and iss into concerted policies remained to be seen. But v much depended on the members of UNCTAD; they h to be persevering and consistent and in all their delibe tions earnestly try to implement the decisions alre adopted.

29. The *Secretary-General of UNCTAD*, reviewi the role of the organization, highlighted three disti characteristics: its universality, enabling it to address terests of all groups of countries; the breadth of its c cerns, covering the interdependence of countries, iss and their temporal dimensions; and its commitment development in promoting the economic and social p gress of the developing countries and their peoples, the interest of the international community as a whole. an evolving international economic environment, th characteristics equipped the organization to understa anticipate and respond to changing realities and to act an agent for change. It was for the States members UNCTAD to work with the secretariat to ensure that business on its agenda was of primary concern to them

30. Turning to the world economic setting, he sta that the world economy faced acute problems and prospect of disorder. Development was in crisis. Co modity and other markets were depressed and tensi was mounting on the debt front. The critical situation sub-Saharan Africa was persisting, while the least dev oped countries continued to be burdened by seve handicaps. Unemployment remained high in Weste Europe, and the farming sector of the United States w in distress. All countries, including the socialist cou tries of Eastern Europe, needed to respond to and gen ate new technologies and to adapt to changing patter of consumption, production and trade.

31. The trade and payments system was under s vere strain. Floating had led to volatile and misalign exchange rates. Notwithstanding the prospect of a n round of trade negotiations, protectionism was escalati and resistance to making structural adjustme continued.

32. At the sixth session of the Conference, the world economy had been in the midst of a severe recession, but now output was expanding. On the other hand, the development crisis had intensified. Nevertheless, recovery and development could not be divorced. The shortcomings of the recovery were reflected, in industrialized countries, in unemployment and massive trade imbalances. They also largely accounted for the continued inclemency of the external environment of developing countries. Conversely, slow development was weakening recovery. The import cuts of developing countries inflicted losses in terms of profits and jobs on the developed countries, whose financial institutions and regulatory authorities were troubled by the debt crisis. He added that the recent sharp decline in oil prices should be seen in that context and not only in that of its expected effect on world inflation.

33. He stressed that those tensions were interrelated and had an adverse impact on all groups of countries and that many of their consequences were long-term.

34. After referring to the divergence of policy perceptions in recent years, he pointed to certain changes in recent months which could be suggestive of a narrowing of differences. Increased awareness of macro-economic factors and of the interdependence of problems and countries had evolved. Greater attention was being paid by all groups to efficiency of resource use, to the productivity of investment and of the public sector, to structural factors affecting supply and to signals given by market prices. A consensus had emerged that the debt crisis required structural adjustment over a number of years, to be made in the context of growth and development, that multilateral financial institutions must be strengthened and that protectionism in developed countries was obstructing adjustment and growth in the developing countries.

35. Similarly, the potential for co-operation between countries having different economic and social systems, particularly between the socialist countries of Eastern Europe and developing countries, was receiving increased attention. Significant also was the agreement among developing countries to expand South-South trade through the global system of trade preferences (GSTP).

36. Looking forward, he saw the prospect of disorder, as well as a growing appreciation of the need for international co-operation. He pointed out that the timing of the seventh session of the Conference would permit member States to translate that appreciation into a momentum for policy change.

37. As to the aims and subject-matter of the seventh session of the Conference, he would be elaborating his thoughts in a note for submission to the Board. He called for an early agreement on an agenda for the Conference. Summarizing his views on the Conference, he stated that a unifying theme for the agenda would provide a criterion for selectivity and sharpen the focus of the Conference. It should address the need to revitalize processes of world growth and development, be derived from the pressing concerns of member States and also address the structural factors underlying those concerns. Topics for the agenda should be drawn from the broad areas of debt and finance, commodities and trade.

38. Referring briefly to the topic of protectionism and structural adjustment, he pointed out that recent years had witnessed intensification of protective measures, particularly in areas where the developing countries enjoyed comparative advantage, and the lack of implementation of policies of positive structural adjustment, despite commitments to the contrary by developed market-economy countries. Future multilateral trade liberalization efforts should increase possibilities for developing country exports, thus helping their growth, increasing their imports and enlarging their debt servicing capacity.

39. The Secretary-General of UNCTAD emphasized the importance he attached to his managerial responsibilities. He indicated his intention to undertake reorganization and redeployment of resources and referred to the implications for UNCTAD of the grave financial situation of the United Nations. In that connection, he stated that the Secretary-General of the United Nations had asked for an indication of programme activities which could be deferred, should the need arise, with a view to effecting a 10 per cent budgetary saving. The Secretary-General of UNCTAD had suggested deferral, if necessary, of those programme activities which had been allocated "lowest priority" in the programme budget adopted by the General Assembly. He had suggested, as an alternative approach, at least as a temporary measure, the squeezing of general operating expenditures without targeting specific programme activities. He had underlined that either approach would have serious implications for the UNCTAD work programme, especially preparations for the seventh session of the Conference. In the meantime he had thought it prudent to minimize the general operating expenses of the UNCTAD secretariat.

40. The spokesman for the *Group of 77* (Chile) said that the scope and dimension of the current session were of great importance as it was taking place at the beginning of the preparatory process for the seventh session of the Conference. His Group thus called for a frank and constructive dialogue which could contribute to a better understanding of the current international economic crisis in order to assist in the search for adequate and responsive solutions to the critical situation facing the world community, in particular the developing countries.

41. The Group of 77 had come to the current session not only with the positive political will to seek constructive solutions to the crisis but also with renewed faith in the virtues of international co-operation. There was no need to stress the importance of the Group of 77's attachment to UNCTAD.

42. In preparation for the seventh session of the Conference, the current session was a unique opportunity to face stark facts and shoulder responsibilities, to pronounce on the current burning issues and to draw up an agenda which would lead to the requisite action, commensurate with the gravity of the situation.

43. The current world economic situation was characterized by a deepening crisis of development with not only stagnation in development but, in many cases, its

actual reversal. The huge negative net transfer of resources, high rates of inflation, unemployment, depressed levels of investments, the disastrous collapse in commodity prices and growing protectionism were placing intolerable strains on the economies of the developing countries.

44. As a consequence, those countries were being drawn into a vicious downward spiral of significant losses in real income leading to an increasing debt burden. That was in turn fuelled by high interest rates to the extent that the service of that debt was now in most cases beyond the capacity of developing countries.

45. The emergency situation in Africa was a glaring example of the crisis in development, which was a challenge to the conscience of humanity. The international community must not spare any effort to avert tragedies which currently threatened the lives of 100 million people in Africa. All forces and political will should be mobilized for the thirteenth special session of the General Assembly on the critical economic situation in Africa. It should not be forgotten that the worst hit had been the least developed countries, which had the least capacity to absorb the current economic crisis.

46. The fact that development had been disrupted in so many countries and with such severity reflected the existence of major influences at work in the world economy, in particular the malfunctioning of the international trade and payments system, particularly on account of the macro-economic trade policies adopted at the national level by major developed economies, which had to a very large extent disregarded their interdependence with the rest of the world economy.

47. The plain fact was that the mismanagement of the international economy had resulted in shocks to the developing countries too large to be absorbed by their economies. Those shocks had caused acute disruption, both economic and social, and had led to harmful political tension.

48. What then were the prospects? Certainly, current trends were leading towards a decade lost to development. Massive adjustments and sacrifices had been made by developing countries, but without a more favourable external environment no amount of effort by them would lead to a resumption of credit-worthiness and a revival of development.

49. It was now widely recognized that there could be no real improvement in creditworthiness and in financial viability without renewed growth and development and that protectionism, in its various forms, including subsidies, in the developed countries could blunt efforts to achieve those results. But what was often not taken into account was that the debt crisis had not only become inseparable from the development crisis but was a major source of strain on the international trading system and for the overall expansion of world trade and development. As developing countries stepped up their export drive, they found that not only had existing protectionist measures been intensified but new restrictions were introduced to hinder their exports. Furthermore, those trends tended to put further downward pressure on commodity prices.

50. The crisis in developing countries had also
felt by the developed countries in many other ways,
notably in the number of jobs lost as a result of deve
ing countries being forced to reduce their imports, n
mention the stress and risk borne by the internationa
nancial system.

51. All that demonstrated the extent of the i
relationship of problems and interdependence an
countries, and the common interest.

52. In respect of the seventh session of the Co
ence, States had both the duty and the opportunit
work out a coherent approach towards resolving the
tifaceted crisis, recognizing that it would require ef
on the part of all, action across a broad front, in part
lar money and finance, commodities and trade, and
a time-frame long enough to address the fundamer
and short enough to reflect the urgency of the proble

53. Governments must strive to make the sev
session of the Conference an event of historical i
ence, the results of which could infuse a new momen
to the development process and assist the internati
community to overcome the current economic crisis.
do that, the Group of 77 believed that the seventh
sion of the Conference should focus on a limited nu
of issues considered of high priority. The results of
seventh session of the Conference should include
crete decisions for action-oriented measures in kee
with the priorities identified. That required the collec
efforts of all.

54. The spokesman for *Group B* (Switzerland)
sured the Secretary-General of UNCTAD of the full
complete co-operation of the countries of Group B in
discharge of his duties, stressing their will to work
strengthen UNCTAD's capacity to tackle the proble
of development in a realistic and pragmatic perspect
He also paid tribute to Mr. McIntyre for the excel
work accomplished during the year he had been in
fice. He recalled that, in 1984, Group B had underta
an important reflection process on institutional refo
which could enhance UNCTAD's efficiency and ens
that the organization's work had a real impact on de
opment. The main findings of those reflections had b
transmitted to the other regional groups at the time
the absence to date of any reaction to them had b
somewhat disappointing to his Group, as had the mea
progress in the discussions on the rescheduling of
sessions of the Board.

55. On the other hand, certain practical res
achieved of late were a partial response to matters
concern which Group B had raised. There had, in g
eral, been a noteworthy improvement in the secreta
documentation, which Group B had recognized offici
on numerous occasions. It appeared, too, that the cur
working atmosphere in UNCTAD was marked by an
creased willingness to tackle development questions
alistically and to seek solutions to the manifold proble
of the developing countries.

56. Group B was confident that that new clim
would be reflected in the work of the Board, particula
the discussion of protectionism and structural adju
ment, an issue on which the fruitful debate at the thi
eth session had led to a consensus decision (decision 3

(XXX)). His Group hoped that the deliberation of items 3 and 4 would also be fruitful, substantive and thorough. The statement by the Secretary-General of UNCTAD, which was instilled with realism, was an encouragement to that end.

57. As to item 5, Group B would make known its ideas and suggestions with regard to the seventh session of the Conference and intended to contribute to the success of the seventh session of the Conference from the outset of the preparatory phase. That success would be a measure of the consensus achieved regarding the real priorities for development. UNCTAD's privileged position within the United Nations system with regard to questions relating to economic development should also be more clearly distinguished. Group B's position with regard to discussion of the agenda for the seventh session of the Conference remained an open one and it was ready to join at once with the other regional groups and the secretariat in the preparations for the seventh session.

58. The spokesman for *Group D* (Union of Soviet Socialist Republics) said that, in principle, Group D shared the assessment of the Secretary-General of UNCTAD of the role and functions of UNCTAD at the current complex stage in the development of international economic relations. Group D attached great importance to UNCTAD, considering it necessary to expand its potential and strengthen its authority in the consideration and resolution of urgent problems relating to trade and economic co-operation and the social and economic progress of States.

59. Despite past attempts to disorganize its activities, UNCTAD had recently been able to achieve some positive results. The functioning of the Main Committees had improved. The nature of discussions at sessions of the Board had changed for the better in respect of major problems such as the interrelationship between trade, development financing and the international monetary system, protectionism and structural adjustment, the indebtedness of the developing countries and trade among countries with different socio-economic systems. Finally, important real results had been achieved through the adoption within the framework of UNCTAD of the United Nations Convention on Conditions for Registration of Ships. All those achievements strengthened confidence in UNCTAD as an organization capable of actively promoting the development of mutually advantageous and equitable trade and economic co-operation among all countries and the development of a strong material basis for the establishment of confidence in international political and economic relations. What had to be done now was to promote those positive trends and achieve a change for the better in those areas where the activities of UNCTAD were cause for serious concern, above all in resolving the complex range of commodity problems.

60. The Board had a number of important problems to consider at its thirty-second session. Of particular importance, however, were those issues connected with preparations for the seventh session of the Conference. That session must become an important event in international life and a milestone along the road towards the development of international economic co-operation. In order to ensure effective preparations for the seventh session of the Conference, it was vital to resolve the question of the agenda and venue of the Conference at the current session of the Board. Group D was ready to make every effort to reach agreement on those questions.

61. In its resolution 37/16, the General Assembly had declared 1986 the International Year of Peace. Its aim was to help strengthen peace throughout the world and enhance international security and co-operation on the basis of the Charter of the United Nations. Another goal was to increase the role and effectiveness of the United Nations as the main international system called upon to promote peace. In line with the overall strategy of the socialist community aimed at the firm rejection of confrontation in favour of co-operation, the Soviet Union had put forward a radical but realistic programme providing for the complete and general elimination of nuclear weapons by the year 2000 in the context of a prohibition of the development, testing and deployment of strike space weapons. That programme, set out in a statement made by Mr. Gorbachev, the General Secretary of the Central Committee of the Communist Party of the Soviet Union, on 15 January 1986, had provided a reliable means of releasing mankind from the threat of annihilation. The International Year of Peace was to be marked by the convening of the International Conference on the Relationship between Disarmament and Development, scheduled to be held in Paris in July/August 1986. UNCTAD must play an active role in the preparations for and proceedings of that very important international undertaking. At its current session, the Board should agree to consider the results of that Conference at its thirty-third session and, in the light of those conclusions, determine UNCTAD's future activities in connection with the problems of disarmament and development. Greater efforts were to be made to ensure that the militarist principle of "armament instead of development" was reversed to allow "disarmament for development".

62. At its fortieth session, the General Assembly had adopted resolution 40/173 on international economic security. The aim was, *inter alia*, to prepare a comprehensive analytical report on a concept of international economic security. UNCTAD should play an active role in that work in order to help realize the ideas set out in that resolution.

63. In the view of the socialist countries, the main elements of a system of international economic security were as follows:

(*a*) Exclusion of all forms of discrimination from international practice; renunciation of the policy of economic blockades and sanctions unless that was envisaged in the recommendations of the world community;

(*b*) Joint search for ways of a just settlement of the debt problem;

(*c*) Establishment of a new world economic order guaranteeing equal economic security to all countries;

(*d*) Elaboration of principles for utilizing, for the good of the world community and of developing nations in the first place, part of the resources to be released as a result of a reduction in military budgets;

(*e*) The pooling of efforts in the exploration and peaceful use of outer space with the aim of solving the

global problems on which the fate of civilization depended.

64. Group D considered it necessary that the Board should adopt a recommendation on the contribution of UNCTAD to the implementation of General Assembly resolution 40/173.

65. In the view of Group D, UNCTAD should actively work to enhance trust and mutual understanding among States in the economic sphere. That issue, which stemmed directly from the corresponding decisions of the General Assembly, should be considered at the seventh session of the Conference and should be regularly discussed at sessions of the Board.

66. Beginning with the thirty-second session, the Board took on an additional and very important function, namely that of serving as the preparatory body for the seventh session of the Conference. It was therefore very important that, in considering the main agenda items, the Board should turn its attention to issues related to the seventh session. All the Board's work should be so organized as to make it possible to lay the necessary preparatory basis for the forthcoming session of the Conference. It was particularly important that the Board's discussions and negotiations lead to the identification not only of problems that must be discussed but also of possible action aimed at resolving those problems. The same applied in full to the activities of the Committees which were to hold sessions in the period leading up to the seventh session of the Conference.

Tribute to the memory of Olof Palme, Prime Minister of Sweden

67. At its 679th meeting, on 10 March 1986, the Board observed one minute of silence in tribute to the memory of Olof Palme, Prime Minister of Sweden, had been assassinated on 28 February 1986.

68. Paying homage, the outgoing *President* said in UNCTAD it was natural especially to underline Palme's strong and never-failing support for the de oping world and the cause of development, which closely connected with that of peace. It had been pa his very nature to stand up for the underprivileged poor and the oppressed. His intense and personal dec tion to the ideas which he had believed in and fough constituted his strength and had made him an adm symbol for people in all parts of the world.

69. In his statement at the sixth session of the C ference, Olof Palme had spoken of his fears and dreams for a better world and had called for solida between peoples and nations and between diffe groups within nations. He had summed up his call his faith in a quotation from Gabriel García Márc who, at the Nobel Prize presentation ceremony in 19 had said that "solidarity with our dreams will not m us feel less alone, as long as it is not translated into c crete acts of legitimate support".[2]

70. In acknowledging this tribute, the representa of *Sweden* expressed the thanks of his delegation for honour paid to the memory of Prime Minister Palme said that he would convey the sentiments expressed the Government and people of Sweden and to the reaved family of the late Prime Minister.

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[2] *Proceedings of the United Nations Conference on Trade and velopment, Sixth Session*, vol. II, *Statements and Summary Rec* (United Nations publication, Sales No. E.83.II.D.7), part one, sect.

Chapter I

INTERDEPENDENCE OF PROBLEMS OF TRADE, DEVELOPMENT FINANCE AND THE INTERNATIONAL MONETARY SYSTEM

(*Agenda item 3*)

DEBT AND DEVELOPMENT PROBLEMS OF DEVELOPING COUNTRIES

(*Agenda item 4*)

71. Opening the debate on items 3 and 4, the *President* recalled that the Secretary-General of UNCTAD had already reviewed them in his opening statement (see paras. 29-39 above).

72. The spokesman for *Group B* (Switzerland) stated that considerable changes had taken place in the international economic system during the previous six months. These included: promising developments in the preparations for a new round of MTN, which could contribute significantly to the dynamics of global growth; important steps taken to improve currency alignments; and a continuing deterioration in the terms of trade of agricultural (or commodity) exporting countries, particularly developing countries. It was only in recent months that the overall commodity price index had begun to recover from exceptionally low levels. In addition, there had been a decline in oil prices, which had accelerated sharply in recent weeks. Uncertainties about the future evolution of oil prices made it difficult to assess the full implications of that development, but it should be beneficial to most of the world, developed and developing, while creating problems for some oil-exporting or other energy-exporting countries.

73. Economic activity in the OECD area had now been expanding for some three years. Whereas there had been considerable differences in economic performance among the OECD countries in 1984, during 1985 the distribution of growth had been more even, around an average rate of 3 per cent. That and other factors, including decelerating inflation, offered prospects that the recovery could continue, at substainable growth rates. Contributing to that expectation had been various promising developments in such areas as structural policies and performance, greater flexibility and moderation in wage growth and determination and improved mobility. All that, together with financial market liberalization, would contribute to the process of structural adjustment and growth which was under way in developed market-economy countries and which should stimulate developing countries' exports. Certain problems still persisted: they included an outlook for continued high levels of unemployment, major payments imbalances, and concern about real interest rates, which had gone down but remained a preoccupation, especially for developing countries with large accumulated external debt burdens.

74. Against that background, there had been during recent months a number of important international initiatives aimed at strengthening the multilateral system and adapting it to new conditions and challenges. They were: the Group of Five announcement in September 1985; the Baker proposals advanced in October at the IMF World Bank meeting in Seoul;[3] the establishment in November of a Preparatory Committee in GATT to prepare recommendations for the programme of negotiations to be adopted at the Ministerial Meeting in September 1986; the MIGA proposal (Multilateral Investment Guarantee Agency);[4] the review of the Substantial New Programme of Action for the 1980s for the Least Developed Countries;[5] the adoption in February 1986 of the United Nations Convention on Conditions for Registration of Ships; and the decision to convene in May 1986 a special session of the General Assembly on Africa. Those international initiatives signalled the determination of the international community to act together in confronting world economic problems.

75. He noted that in the Group of Five announcement, participants had recognized that further orderly appreciation of the main non-dollar currencies against the dollar was desirable. Such a trend would continue to be an important factor, contributing to defusing protectionist pressures. Moreover, consideration was now being given to the need for international discussion of the role and relationship of currencies. The Group B countries considered the Baker proposals to be particularly timely and an important initiative in the development of a co-operative approach to the debt problem. Moreover, it was clear that the resolution of the debt situation required action in other fields.

76. Trade had continued to expand during 1985, although at a lower rate than during 1984. In value terms, however, due to appreciation of the dollar during the first half of 1985, the dollar value of world trade was below that of the volume in the same period in 1984. At the thirty-first session of the Board, Group B had emphasized

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[3] Debt strategy suggested by United States Secretary of the Treasury, James A. Baker, III (see IMF, *Annual Report 1986*, p. 42).

[4] See *The World Bank Annual Report 1986*, pp. 52-53.

[5] *Report of the United Nations Conference on the Least Developed Countries, Paris, 1-14 September 1981* (United Nations publication, Sales No. E.82.I.8), part one, sect. A.

again the need to restore confidence in an open, multilateral trading system. Sustained economic recovery and the strengthening of the international trading system vitally depended on the avoidance of protectionist measures and on further trade liberalization. Efforts had been made over the preceding year to halt the protectionist trend and to resist protectionist pressures and practices. He also noted that, in spite of positive steps in the fight against protectionism, dangers continued to threaten the international trading system. The continued existence of restrictive measures imposed costs on all trading partners and impeded the development of trade flows along the most efficient lines of comparative advantage. Strong protectionist pressures persisted in some of the major trading nations. A new round of MTN which addressed the source of those protectionist pressures and resulted in genuine trade liberalization would serve to strengthen the multilateral trading structures and disciplines for the benefit of all participants. It would promote the much-needed reduction of trade barriers in both developed and developing countries. Furthermore, the initiation of a negotiating process would, in itself, have a restraining effect on protectionism. For those reasons, Group B countries welcomed the unanimous decision, in November 1985, to establish a Preparatory Committee in GATT. The annual review of protectionism and structural adjustment, which would be carried out at the current session of the Board, was very timely. The existence of trade restrictive measures in all countries not only threatened the multilateral trading system, but also blocked the necessary longer-term structural adjustment process of the global economy.

77. He noted that total long-term resource flows to developing countries from all sources had amounted to some $92 billion in 1984 (at 1983 prices and exchange rates) and that nearly one third of that amount ($29 billion) was accounted for by ODA from members of DAC. There had been a sustained expansion of ODA from DAC countries in recent years: the average annual increase observed over the preceding five years had been 4 per cent in real terms. DAC members, at their High-Level Meeting in December 1985, had expressed their Governments' commitment to provide increasing and more effective support to the efforts of developing countries to reactivate economic growth, to attack the structural problems of poverty, and to achieve sustained and more broadly shared development. They stressed that attainment of those goals would require consistency in all relevant policies, including those relating to trade and investment as well as aid and other financial flows.

78. In view of the continued importance of healthy commodity sectors for the general economic performance of a large number of developing countries and in relation to their debt situation, Group B countries had watched closely and with concern recent developments in commodity markets. Commodity prices generally had taken a sharp downward turn in 1985, so that the overall non-fuel commodity prices index later in that year had reached its lowest point since mid-1976. In recent months, a general upward movement had been discernible. None the less, the phenomenon of generally declining prices in a period of continuing increase of economic activity was one which required the closest attention and an examination of the underlying causes of the performance of commodity prices.

79. He further noted that oil prices had continued to decline through the autumn of 1985 and had fallen more sharply early in 1986. The future path of prices remained uncertain. As had been the case in recent years, lower oil prices could be expected to bring some economic benefits for industrialized and oil-importing developing countries and disadvantages for many oil-exporting countries. There would be particular problems for those oil producers who were heavily indebted. The effects of lower prices on energy supply and demand development were difficult to assess, but the investments and other structural adjustments which had occurred over the preceding decade meant that those effects would probably be felt more in the medium and long term rather than in the short term.

80. On the question of debt, he noted that the complex issues involved in the challenge of managing debt in such a way as to facilitate growth, which had been discussed extensively by the Board at its previous session, in September 1985, were a major underlying concern of the Baker proposals, advanced the following month. The World Bank Special Facility for Sub-Saharan Africa and the IMF Trust Fund, possibly combined with policy-contingent lending through IDA, might also be expected to work in the same direction. Each country's economic situation and its debt structure was unique, and similarly the impact of lower oil prices would be very differentiated. Consequently, appropriate policies would vary from country to country and must be tailored to specific circumstances, on a case-by-case basis, while taking into account the particular situations of the poorest and the least developed countries. In seeking solutions, national policies were of central importance, but so was the external environment—particularly the maintenance of growth in the more developed part of the world and of an open trading system. The members of Group B were also aware that the indebtedness situation confronting a number of developing countries must continue to be addressed urgently, in the framework of a coherent long-term strategy building on the traditional case-by-case approach. Only in that way could the fundamental objective of relaunching and maintaining the momentum of growth be achieved. Since September 1985, a number of positive developments could be discerned. There had been progress in structural adjustment in a number of debtor countries despite strains in economic and social fabrics; it would appear that capital flight from developing countries, while still a problem, had slowed down; and the terms of trade of energy-importing debtor countries had improved. Moreover, the fact that there had been some decline in international interest rate levels contributed to alleviating the debt burden.

81. In conclusion, he noted that the world economy appeared to be evolving more rapidly than at any time during the previous few years; such a situation gave rise to uncertainties but also to opportunities. The Group B countries perceived a fluidity in the current international economic situation from which everyone could benefit, provided the changing environment was measured in a realistic and constructive way. Important discussions

would be taking place in the Interim Committee and the Development Committee in Washington in April, the OECD Council meeting at Ministerial level in Paris in mid-April and the Tokyo Economic Summit meeting of seven industrialized countries, in May. He added that the current challenge for UNCTAD was to ensure that, in the preparations for a seventh session of the Conference, that changing economic environment was exploited from the perspectives of development and growth.

82. The representative of *Yugoslavia* endorsed the introductory statement of the Group of 77. It was the assessment of his delegation that in recent months there had been a further deterioration in some dangerous trends noted at the thirty-first session of the Board. The development process in a large number of developing countries had been undermined by the aggravation of their debt burden. That was increasingly threatening the functioning of the international financial system. In addition, high interest rates and persistently depressed commodity prices, along with stagnating flows of development financing, had also made a contribution to a huge outflow of resources from developing to developed countries. Protectionism, in particular, considerably diminished the gains from comparative advantage by developing countries in sectors such as textiles, steel, agriculture, and others. The economic stagnation of an increasing number of developing countries affected the growth of the entire world economy and prevented the reduction of unemployment in developed countries as well.

83. The situation on the petroleum market and its overall developmental impact required careful assessment. In the longer run, the possibilities for international agreements suiting the interests of both producers and consumers should be assured. He noted that the need for co-ordinating macro-economic policies was increasingly gaining ground. There had been a wide recognition of the disruptive effects of inadequate and volatile exchange rates. The exchange rate of the dollar had been brought down by joint intervention of major developed countries; the implications of that move were yet to be assessed. Some new proposals implicitly recognized the impossibility of finding a solution to the debt problem of developing countries solely within the narrow financial context, while ignoring the development factor. Those changes were a move forward and gave some hopes for restoring multilateralism and for achieving more concrete results in the future.

84. The current session should represent a step further in the restoration of the development consensus as a condition *sine qua non* of sustained growth of the world economy. That was essential because of the further erosion of the economic situation in the majority of developing countries and the gravity of the problems which the world economy would face in 1986. The debt crisis could not be resolved by new *ad hoc* arrangements similar to those in place since 1982. What was needed was an elaboration of a strategy based on joint responsibility of debtors and creditors and on the establishment of a more favourable long-term framework for the solution of problems. That framework should include the reduction of interest rates, enlarged access to markets of developed countries for developing countries' products and revival of development financing. The serious situation in the field of commodities was a dramatic expression of the inequity of the international economic environment for developing countries and required urgent action.

85. The required number of 90 ratifications for entry into force of the Agreement Establishing the Common Fund for Commodities[6] had recently been reached and exceeded. The Yugoslav delegation therefore proposed that a meeting of representatives of the countries which had ratified the Agreement should be convened in UNCTAD to agree on further action with a view to making that instrument operational.

86. Referring to the forthcoming meeting of the IMF/World Bank Interim Committee and Development Committee in April, the Tokyo Economic Summit of seven industrialized countries in May, the Eighth Conference of Heads of State or Government of Non-Aligned Countries at Harare, Zimbabwe, in September, and a Ministerial Meeting in GATT in September, he said that discussions and agreements in UNCTAD should provide a positive input for those gatherings and vice versa. He also pointed out that the Second Committee of the General Assembly would shortly be reconvened in order to consider in particular the proposals to convene an international conference on money and finance for development.

87. It was the view of his delegation that the renewal of the development consensus should be one of the most important objectives of the seventh session of the Conference, which would, moreover, be a unique opportunity to revive the North-South dialogue and negotiations. The achievement of that goal made it necessary to consider the most important issues concerning the agenda and organization of the Conference at the current session in a constructive atmosphere.

88. Referring to agenda item 6, which was to be discussed in Sessional Committee II, he pointed out that the efforts aimed at strengthening the international trading system should be made within the framework of the development of developing countries and of sustained growth of the world economy as a whole. In the review of the developments in the field of protectionism and structural adjustment, the problems of trade should be viewed in the light of their links with the problems of finance, commodities, debt and development. In that way, the outcome of the deliberations could be a positive contribution to preparations for the proposed MTN in GATT.

89. The representative of *China*, referring to the international economic situation, observed that the momentum of the recovery had weakened visibly in 1985. The rate of economic growth of the OECD countries had dropped from 4.6 per cent in 1984 to 2.75 per cent in 1985, while the growth rate of the volume of world trade had also dropped from 9 per cent in 1984 to about 3 per cent in 1985. The decline of the economic growth rate of the developed countries had had an adverse impact on the economy of the developing countries. The economic growth rate of the latter had slowed down, from 3.7 per

[6] United Nations publication, Sales No. E.81.II.D.8 and corrigendum.

cent in 1984 to 2.5 per cent in 1985, and there was even negative growth in quite a number of countries. The prices of primary products had dropped by 9.4 per cent in real terms, and that had substantially reduced the export earnings of the developing countries and worsened their debt problems. Currently, the total debt of developing countries was approaching $1 trillion, which required nearly $100 billion annually for debt servicing and repayment of capital.

90. Recalling Conference resolution 159 (VI) concerning international trade, in which the developed countries had reiterated their commitment to check trade protectionism, he said protectionist measures had nevertheless increased and the world-wide trade war had become increasingly fierce. Trade imbalances among the developed countries had repeatedly given rise to friction. The developing countries had been hit particularly hard in the sectors of iron and steel, shoes, textiles and farm products. Investigations of anti-dumping and countervailing practices, which were aimed at developing countries, had increased dramatically. Over the preceding five years, the prices of primary products, excluding oil, had dropped by 30 per cent, with the prices of food grains, mineral ores and agricultural raw materials dropping more drastically. The recent sharp decline of oil prices would have a profound impact on the economic development of the oil-exporting countries and on the stability of the world economy as a whole.

91. He appealed to the developed countries to honour their commitments faithfully by reducing or eliminating non-tariff barriers, opening their markets to the developing countries, providing them with more preferential differentiated treatment and reviewing the existing trade legislation, statutes and formalities concerning anti-dumping and countervailing duties.

92. The debt problem of developing countries had become one of the major issues in the world economy and deserved the close attention of the international community. The high interest rates in the financial market and high exchange rate of the dollar had resulted in the worsening of the debt problem of the developing countries and trade protectionism on the part of the developed countries had further aggravated the problem. Since the adoption of Board resolution 165 (S-IX) of 11 March 1978 concerning debt and development problems of developing countries, developed creditor countries had reduced the official debts owed by the poorer developing countries by about $6 billion. However, such a reduction could play only a very limited role in easing the difficulties of the debtor countries. In 1980, the external debts of developing countries totalled $610 billion, and by 1985 they had increased to $970 billion. Debt servicing and repayment of capital in 1985 alone had cost the developing countries $140 billion. Between 1980 and 1985, the growth rate of debt of developing countries had been as high as 9.7 per cent; contrary to this, their debt-repayment capability kept declining. That was because, during the same period, their economic growth rate was only 3 to 4 per cent and the growth rate of their export earnings merely 2.7 per cent, both far below the growth rate of debt. Therefore, without an appropriate solution, the debt problem would not only affect the economic development of the developing countries but would also most probably endanger the whole w economic system. The debt problem was both econc and political.

93. The Chinese delegation supported the rea able demand of the developing countries for lowerin terest rates in real terms, improving terms of debt ser ing, opening the markets of the developed countrie the developing countries, genuinely checking trade tectionism, and so on. Citing Premier Zhao Ziyan China, he said that the only way to solve the debt p lem in the world was to increase the economic vitalit the debtor countries, to enhance their debt-servicing pability and to reduce their debt burdens. The Chi Government did not agree to the approach that in o to repay debt, developing countries should slow d their economic development and lower the living s dards of their people because that would not weaken their economy but would also harm the de oped countries. A solution to the debt problem called joint efforts of the creditor countries, the debtor co tries, the international financial institutions, and c mercial banks.

94. Currently, the economic situation of the de oping countries was very grave. The harsh terms posed on them by international financial institutions seriously impeded their economic development. The sic principles governing the international trading sys had been trampled upon and many countries relying single primary product were still unable to keep t own economic development in their hands. The Chi delegation hoped that UNCTAD would continue to m its due contribution to the promotion of restructurin the international economic system and to economic velopment of the developing countries.

95. As to the agenda items for the seventh sess of the Conference, he said they must be based on the ality of international economic development, and the terests of all regional groups must be taken into acco Priority should be given to questions of internatio trade, commodities, debt and development. He expres the hope that the current session of the Board would p duce positive and constructive proposals on the age items of the seventh session of the Conference.

96. The representative of Sweden, speaking on half of the Nordic countries—*Finland, Norway Sweden*—noted that, although the world economic s ation had improved in some important respects in preceding few years, the serious problems which mained in the world economy posed a threat to gro and stability. He expressed particular concern that pr pects for long-term growth and development could undermined if current imbalances in major industriali countries were not addressed in an appropriate way; system of international trade might be seriously erod if protectionism was not resisted. Growth and devel ment, particularly in the least developed countri would be fragile or might not be possible at all if pressing problems of commodity-exporting develop countries were not adequately addressed; the debt pr lems of developing countries should be tackled eff tively, otherwise the process of growth and developm in those countries might be reversed and continu world financial stability might be at risk; the functioni

of the international monetary system should be improved, if renewed disturbances were to be avoided.

97. He expressed the strong belief of the Nordic countries in co-operative action on the international level as a means to promote a healthy world economy and to preserve and develop an open system of trade and payments. The greater willingness in the more recent period on the part of larger nations to engage in international co-operation and to seek concerted action he perceived as an encouraging sign. He hoped that the initiatives of launching a new round of trade negotiations and the Baker initiative in the area of debt would help pave the way for more dynamic and ambitious international economic co-operation in which multilateral institutions played a central role. The Nordic countries wished to contribute actively to such efforts.

98. He noted that the developments in the recent past in the commodity field were central to any analysis of the development process, world trade, and the debt situation. The strong commodity markets during the first part of the preceding 10 years had subsided. In the 1980s, developing countries had experienced low commodity prices and reduced earnings from commodity exports resulting in import cuts and a deteriorating debt situation. Structural factors had been added to the familiar cyclical swings. Efforts to raise commodity output in order to increase income had further contributed to the excess supply. Further multilateral action was essential to improve the functioning of commodity markets and facilitate necessary and continuing structural adjustments. In the design of such measures, maximum use should be made of experience gained in the previous decade.

99. Recent evaluation work in UNCTAD and lessons from the tin crisis and from the adjourned cocoa negotiations should not lead to inactivity in the commodity field but should rather be converted into a common understanding of the possibilities for price stabilization agreements. The eleventh session of the Committee on Commodities, held in December 1985, represented a positive approach in that respect. Development-oriented agreements such as those for jute and tropical timber had a valuable role in attempting to tackle structural problems. It was most unfortunate that adequate resources from the Common Fund and its Second Account were not yet available to finance projects under that type of agreement. Compensatory financing, as currently discussed in UNCTAD, however, represented an interesting complementary approach aimed at providing funds for rationalization and/or diversification in the commodity sector. Exchange of information and consultation between producers and consumers increased transparency and provided a better basis for informed judgement on production, investment, etc., thereby contributing indirectly to market stabilization and structural adjustment. Study groups could also be very valuable in their own right as shown by the International Lead and Zinc Study Group, for example.

100. The Nordic countries had long supported the idea of a new round of trade negotiations and were therefore encouraged by the fact that it had been possible to reach a consensus to start a preparatory process towards a new GATT round. The Nordic countries would participate constructively to lay a solid basis for a successful result for all groups of countries at the Ministerial Meeting in September. He expressed the hope that UNCTAD would do its utmost, within its mandate, to contribute to a successful outcome of the new round.

101. The Nordic countries were convinced that debt problems needed to be addressed in a framework of coherent, long-term strategy building on and supplementing the traditional case-by-case approach. They agreed with the basic idea of the Baker initiative that responsibility for addressing debt problems must be shared between debtor countries, creditor Governments, commercial banks and multilateral financial institutions. They welcomed the fact that a clear distinction was being made between middle-income countries and the poorest countries, since their problems were fundamentally different and called for different remedies. The resources of the multilateral financial institutions needed to be strengthened, in particular, the resources of IDA and the World Bank. The Nordic countries were convinced that special action was required in order to break the vicious circle of rising debt and need for further adjustment in the poorest countries.

102. Increased concessional flows should be the main element in a broad programme to help the least developed countries resume economic growth and service their debts. The Nordic countries would like to see industrialized countries join in co-ordinated action to assist the poorest countries. The discussions currently going on in the World Bank and IMF on replenishment of IDA, use of IMF Trust Fund reflows, increased resource transfers and policy implications for the debtor countries, were most important elements in this respect. They also wished to underline the urgent need to implement the recommendations of the mid-term review of the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries.

103. Referring to the seventh session of the Conference, he said the Nordic countries thought that there was a need to determine its shape and the objectives at an early stage. They were encouraged by the thoughts presented by the Secretary-General of UNCTAD in his opening statement.

104. The representative of *Ghana* stated that the current session was important in that it should usher in the preparatory process leading to the seventh session of the Conference. Concrete steps should be initiated which should include some broad understandings on the theme and agenda of the Conference. The outlines of the Secretary-General's thinking in his opening address to the Board pointed in the right direction.

105. The current session assumed added significance because it took place just a few weeks before the special session of the General Assembly at the end of May, on the continuing critical economic situation in Africa. As indicated by the Secretary-General of the United Nations in his address to the Preparatory Committee for the special session, there was at the current stage common agreement on the problems underlying the critical economic situation in Africa. It would be fruitful at that session to focus, in a comprehensive and integrated manner, on immediate rehabilitation as well as medium- and

long-term solutions. That would enable the Assembly at the special session to promote and adopt action-oriented and concerted measures which would lend themselves to implementation. There was no doubt that UNCTAD's contribution to the preparatory process for the special session would be crucial. His country therefore looked forward with great interest to the Secretary-General's report, which should form the basis of UNCTAD's contribution.

106. Turning to agenda items 3 and 4, he stated that the debt situation was a crushing burden which undermined all efforts at development. In the face of several adversities and an inclement international economic environment, his country had in the preceding year managed to register some not-insignificant achievements. For example, real GDP growth had reached the target of 5.3 per cent in 1985, agriculture had expanded by almost 4 per cent and industry by about 13 per cent while inflation had dropped from 40 per cent in 1984 to an impressive 12 per cent in 1985.

107. It was necessary to point out that the debt servicing problem of Ghana had not been aggravated by imprudent borrowing. Without repayments to IMF and amortization of oil credits, the debt service ratio would be in the region of about 12 per cent on the average for the period 1986-1988; but with those payments, the ratio escalated dramatically to 60 per cent. Clearly that placed a heavy burden on the ability to meet certain basic obligations to the population. His delegation agreed with those who had on several occasions suggested concrete measures to mitigate the adverse effects of debt servicing on the development efforts of the developing countries. Actions such as the following would go a long way to assisting developing countries, developed countries and the banking community to work together to contain an increasingly tense and debilitating situation: first, an expansion in both size and coverage of the Baker plan, to go beyond the $29 billion and the few developing countries targeted for application; secondly, early reduction in interest rates which by all standards were too high; thirdly, increase in quick-disbursing programme assistance provided on concessional terms; and fourthly, speedy implementation of debt relief measures which had been agreed upon multilaterally in the past (Board resolution 165 (S-IX) of 11 March 1978).

108. His delegation still believed that, unless the commodity question was properly addressed by the international community, the world would sooner, rather than later, face an exceedingly difficult and delicate problem of economic management, since debtor countries could hardly service their debts. The Integrated Programme for Commodities, for all its imperfections, was seen by all, developing and developed countries alike, as filling an important lacuna in the management of trade in commodities. Of late, however, one had to be alarmed by the negative approaches that had been adopted by some countries in the implementation process of the Programme.

109. There was good reason to suspect that some countries even wished to repudiate the Integrated Programme for Commodities. The Common Fund remained out of operation. Negotiations aimed at bringing several ICAs into being had stalled, and renegotiations on several important commodities had moved largely a from those very principles enshrined in the Integra Programme for Commodities—principles designed make the agreements viable and beneficial to all part The collapse of the recent cocoa negotiations—dram as it had been—was only one example of that trend. delegation, however, was still optimistic that the rec set-backs in the implementation of the Integrated P gramme for Commodities would soon be overcome.

110. The representative of *Peru* observed that, the eve of the seventh session of the Conference, it appropriate to reflect on the results obtained si UNCTAD's establishment. The GSP, presented orig ally as part of a strategy of export-led growth based access to markets in the developed market-econo countries, had been so eroded in its application as have had very little positive repercussion on the devel ment process. The Integrated Programme for Commo ties, having laboured under the burden of inadequate isting individual commodity agreements and the lack political will to negotiate new ones capable of having impact on the market, had just received a mortal blow its core—the Common Fund, which now seemed hard likely to come into existence. Added to those meagre sults after years of hard work was a long list of reso tions adopted but never implemented, not to mention far greater number of draft resolutions which had fail to even pass the stage of debate.

111. The picture was sufficiently clear for anyo to understand that no possible effort would be adequa to the ineluctable task of reversing that tendency and storing to UNCTAD the capacity properly to dischar the functions for which it had been created. In that co nection, he referred to the observations made in t statement of the outgoing President of the Board (s paras. 2-12 above) regarding the role of UNCTAD, w which he agreed and appreciated all the more becau they had been made by a distinguished member Group B. UNCTAD could not, in his view, be relegat merely to the role of a forum for an exchange of idea On the contrary, it ought to be assigned a pre-emine role not only for achieving co-ordination of national ec nomic policies but also for negotiations.

112. In order to achieve those objectives, it w necessary to restore confidence in multilateralis Everyone was aware of the severe shocks to the intern tional economy in recent decades, shocks which had n infrequently been the result of uncontrolled growth wit out any concern for its international repercussions. T result had been the progressive erosion of the bases the prevailing system, the negative consequences which—if affecting negatively virtually all members the international community—had been devastating their effects on developing countries. In those circu stances, some countries with great weight in the wor economy had opted for policies emphasizing bilateralis which they believed useful for dealing with the problen of their own economies. Although those policies mig have yielded some transitory benefits, they had progre sively accelerated the deterioration of the system b cause they had been implemented without adequate taking into account the economic interdependence countries. It was therefore indispensable, in his country

view, to combine efforts, co-ordinate policies and to bring about that co-ordination within UNCTAD as the most effective means of imposing the necessary order on the whole range of elements of the system, taking into consideration the necessity of distributing equitably the costs of adjustment.

113. With respect to the interests of the Group of 77 and on the basis of a renewed unity and true faith in the efficacity of the system, it was necessary that that become the impulse for change. That process might, in his view, require improvements in the mechanisms basic to the functioning of the system so as to permit a more dynamic response to the overriding problems of the current situation. That would be a parallel task to be undertaken by member States. The highly valued support of the UNCTAD secretariat would be an important element in the task of reorienting the organization as well.

114. In his view, the seventh session of the Conference would play a critical role in the great effort of renovating the organization. The Peruvian Government considered that the objectives of the forthcoming session of the Conference should be: (*a*) preserving gains already made by the developing countries, attaching special importance to the situation of least developed and middle-income developing countries; (*b*) reorienting UNCTAD in order to make it a more adequate vehicle for dealing with the new realities which had emerged as a consequence of the transformation of the international economy; and (*c*) restoring to UNCTAD its role as a negotiating body together with acceptable levels of efficiency as well as a renewed unity of purpose among the Group of 77.

115. The current situation required the most careful and thoughtful work within the various regional groups, especially within the Group of 77, which should be the motor for change. In parallel with a process of intensive consultations, that work could culminate in clarifying the principal themes of the seventh session of the Conference. In that way, member countries could work together to overcome the crisis of multilateralism, the stagnation in international co-operation for development, and the slackness of policy co-ordination among developing countries themselves. Against that background, the first order of business should be to sketch the orientation and objectives which the Conference would have to include. His Government felt they could be summarized under the heading, "Restoration of economic growth and intermutual co-operation for development". Accordingly, the agenda for the seventh session of the Conference might include the following: (*a*) an evaluation of UNCTAD in the context of international co-operation for development; (*b*) the integration of developing countries in a world economy undergoing transformation; and (*c*) specific measures required for the solution of the critical issues.

116. An important underlying element of that proposal warranted particular attention. In order for a new stage in international co-operation—hopefully to be initiated at the seventh session of the Conference—to fully benefit developing countries it was necessary to be realistic regarding the very substantial changes required in the framework of international economic relations. For example, trade liberalization would serve no good purpose without a parallel reform of the international monetary and financial system and without establishing the conditions for a renewal of external financial flows to developing countries which would permit them to solve the problems of external indebtedness.

117. In that context the Baker plan had been regarded as a significant development for Latin America, since it reflected a clear recognition that the external debt problem required exceptional measures in the implementation of which the debtor countries, commercial banks, creditor countries and multilateral institutions each had a role to play, thus implicitly accepting the principle of co-responsibility in solving the problem. At the same time it recognized the necessity of restoring economic growth to the debtor countries by re-establishing positive external financial flows towards them. However, as his country's representative had indicated at the regional level, that proposal was inadequate, as long as consideration of the debt problem was limited to the question of financial flows; the volume of resources envisaged would hardly seem adequate to permit the indebted countries simultaneously to meet their debt-servicing obligations and to ensure sustained economic growth.

118. Moreover, the conditionality proposed in the Baker plan could only place more difficulties in the path of the adjustment processes already under way; it had thus omitted a whole series of critical elements indispensable for a correct and durable solution to the problem.

119. Addressing directly the President of the Board, he noted that the region to which his country belonged had been deeply affected and its development prospects compromised by all the negative consequences of the current international crisis; external debt, reduced capital flows, high interest rates, deteriorating terms of trade, protectionism, and falling commodity prices.

120. In respect of external debt, he said that the problem had worsened rather than moving closer to solution. The crisis arising from the problem of external debt, in his view, transcended the interests of the Latin American debtor countries themselves, adversely affecting the interests of the international community as a whole. He said that a situation out of control in Latin America was a political problem for the entire international community, which was the reason his country had been seeking an integrated approach to the debt problem and a dialogue among all the principal actors in order to identify concrete measures which would alleviate the burden of external debt.

121. He supported the statement by the spokesman for the Group of 77 to the effect that the inability to resolve the debt crisis was just one more manifestation of the inadequate functioning of the international economic and financial system. He said that the linkages among the areas of trade, development, and the international monetary system were undeniable. The time had come to create a new order characterized by greater justice and balance which would identify and seek to correct on the basis of reciprocity existing inadequacies in respect of opportunities and the distribution of resources between industrialized and developing countries so as to provide

the latter with the conditions necessary for their development.

122. The principal economic problem of Latin America currently was the net export of capital from the region, mainly on account of debt service. Accordingly, the main policy goal for the region had to be to reverse that flow by establishing a limit on debt-service payments in relation to export earnings, based on the requirements of development.

123. In the case of Peru, the President of Peru had set that percentage at 10 per cent in order to ensure the availability of the necessary resources for a short- and medium-term development strategy. The strategy adopted utilized a wide range of policy measures including: (*a*) price controls, (*b*) a balanced budget, (*c*) wage increases, (*d*) lower domestic interest rates, and (*e*) public investment in regions characterized by critical levels of poverty. The immediate effects of those measures had been the reduction of inflation from 35 per cent to the range of 5 to 6 per cent on a monthly basis and an increase in the share of investment in GDP from 10 to 16 per cent.

124. Consistent with the sentiments expressed in what he had said thus far, his delegation considered that the following basic elements ought to be included in a global solution to the problem of external debt:

(a) *Political dialogue and shared responsibility*

A political dialogue was needed which would include the debtor developing countries, developed creditor countries, international financial institutions and commercial banks in recognition of the responsibility incumbent on each party in arriving at a comprehensive solution to the debt problem.

(b) *Equity and symmetry in the adjustment process*

The costs of adjustment ought to be shared in an equitable and symmetrical manner between developed and developing countries.

(c) *Economic growth as a prior condition*

Recognition must be given to the principle that economic growth would be a prior condition to making debt-servicing payments.

(d) *Implementation of relevant UNCTAD resolutions*

Board resolutions 165 (S-IX), particularly section A thereof, and 222 (XXI) should be fully implemented on an urgent basis.

(e) *Implementation of a number of practical measures*

Appropriate measures should be taken by the developed market-economy countries to improve the international economic environment, in particular:

(i) Wider and more stable access to export markets;

(ii) Standstill and roll-back of protectionist measures;

(iii) Reversal of the tendency to engage in disruptive trade practices, discrimination, and managed trade;

(iv) Stabilization of commodity prices at just and remunerative levels;

(v) Limitation of debt-service payments to a p centage of export earnings compatible v the foreign exchange required for devel ment and the meeting of minimum social economic objectives;

(vi) Reversal of the net capital transfers from veloping to developed market-economy co tries and the establishment of an upper limi such transfers linked to a minimum target GDP growth;

(vii) Reduction and stabilization of interest rates;

(viii) Extension of the length of consolidation p ods, as well as extended repayment and gr periods in debt rescheduling agreements;

(ix) Differentiation between the treatment of d presently outstanding and new loans, the la to be treated on a preferential basis carry shorter repayment periods and receiving pri ity debt-servicing treatment;

(x) Transfers of newly committed resources fr developed to developing countries in order promote economic growth;

(xi) Renewal of facilities and substantially creased funding for multilateral developm institutions;

(xii) Less stringent conditionality attached to n lending, including that of IMF, and the elir nation of cross-conditionality;

(xiii) Enlargement of the Compensatory Financi Facility of IMF;

(xiv) Review of the consensus guidelines on conc sionality for official or officially guarante export credits extended by country membe of OECD;

(xv) Thorough-going reforms of the internatio monetary and financial system and the co vening of a United Nations conference money and international finance;

(xvi) Preferential treatment for least develop countries with serious problems of external i debtedness;

(xvii) The urgent adoption by developed countrie international financial institutions and co mercial banks creditors of practical measur for solving the debt problem of Africa.

125. The representative of *Egypt* said that wished to concentrate on the following points: first, i terdependence was a recognized fact in the world eco omy. The problems which affected the developing cou tries had reached such a magnitude that they had impact on the economies of the developed countries. R strictive policies which the developing countries ha been forced to follow had led to a reduction of their in port demand. That, in turn, had resulted in the develope countries suffering from increased unemployme caused by the reduced demand for their exports. Th problems and policies of the developed countries also s verely affected the economics of developing countrie Second, despite what had been said about signs of ec nomic recovery, the international community had rapidl discovered that it was running after a mirage. The ec nomic crisis had become more acute. There was a co

tinuation in the deterioration of commodity prices and in the increase of unemployment rates. The debt burden had also increased, with the amounts involved reaching the level of export earnings in medium- and low-income developing countries. According to an IMF report,[7] issued in October 1985, the debt-service ratio would reach 29.8 per cent in 1986, against 19.4 per cent in 1982. Third, notwithstanding the economic analyses and goodwill declared now and then, the adjustment policies adopted by Governments, particularly in developed countries, were operating in a reverse direction.

126. International trade was overburdened with a deluge of protectionist measures. To date, no effective measures had been adopted in an integrated framework to deal with the problem of debt. The Board was still reviewing the implementation of its resolution 165 (S-IX), adopted in 1978, about the problems of debt and development of developing countries. At the same time the conditions of developing countries had worsened: rates of growth were weak, and some countries even had negative rates of growth. Taking into account the demographic increase, one found that there was a serious deterioration in living standards which threatened to cause an economic and social crisis. Fourth, the African continent was more affected than others by the economic crisis and its effects were aggravated by drought and desertification. That fact led in turn to a reduction in rates of production, an increase in unemployment and a spreading of hunger in many regions of the continent. The African heads of State had convened a Conference on the Emergency Situation in Africa in March 1985. The General Assembly would also convene a special session to deal with the critical economic situation in Africa. Early in the current month, the Council of Ministers of the OAU had met at Addis Ababa and was expected to convene another meeting by the end of the month to complete the preparations for the special session of the General Assembly on Africa.

127. He wished to emphasize those four points in the dialogue at the current session in order to strengthen the North-South dialogue and international co-operation. The current session was taking place after the meeting of 6 March of the Intergovernmental Group of 24 on Monetary Affairs in Buenos Aires and Governments were participating in a preparatory committee for the preparation for a new round of MTN to liberalize international trade. Governments were also nearing the conclusion of an agreement on a textiles trading system that contradicted the rules of international trade: the MFA, a system that legalized obstacles and barriers which prevented the launching of trade in a sector which was of importance to all developing countries on the basis of comparative advantage. Further, the Second Committee of the General Assembly would resume its work before the regular session of the Economic and Social Council in 1986 to consider seriously the means which could effectively encourage international co-operation in the interdependent spheres of money, finance, debt, flow of resources, and trade and development. The General Assembly in its decision 40/445 had requested the Secretary-General of UNCTAD to submit a report on the work of UNCTAD with regard to the interdependence of trade and development, finance and the international monetary system.

128. All that proved that the international community recognized that economic issues were interdependent, and acknowledged the importance of comprehensive measures to deal with the economic situation. It further showed that such solutions would have implications which would have an impact on the whole of the international community. Partial or temporary solutions would not place the economic recovery on sound foundations. He saw no solution to the current economic crisis without the achievement of two factors: the first was to help the developing countries to increase their export earnings so they could honour their obligations, including the service of their debts and development-oriented import requirements. The second was to restore confidence in both the international trade and monetary systems on a basis of justice and equality between rights and obligations for all States.

129. At the current session preparations for the seventh session of the Conference were beginning. That was a major opportunity to achieve progress in the field of international trade and the areas relevant to international economic co-operation for development. He stressed the importance of concentrating on international economic problems, strengthening the negotiating framework of UNCTAD and reaching specific measures to solve those problems. The urgency did not permit a delay of another year pending the convening of the seventh session of the Conference. As of now, Governments had to work together in order to avoid a holocaust that would leave nothing behind that deserved saving.

130. The spokesman for *Group D* (Union of Soviet Socialist Republics), speaking also on behalf of *Mongolia*, said that the world was witnessing the increasing interlinkage and interdependence of States and peoples. Even taking into account the existence of two world socio-economic systems—socialism and capitalism—the real dialectics of current development consisted of a combination of competition and confrontation between two systems and of growing interdependence of the members of the world community. Thus, through the struggle of opposites a controversial but interdependent and, in a great sense, integrated world was taking shape.

131. The same tendencies of increasing interdependence, as described by UNCTAD bodies, existed in the different elements, sectors and problems of the international economy. That was why the role of regular consideration at Board sessions of the question of interdependence of trade, development finance and the international monetary system was increasing. In recent years the question of debt and its negative impact on economies had rightly been included in that group of problems.

132. It was not sufficient merely to admit the tendency of increased interdependence in the contemporary world; corresponding political and economic conclusions for decision-making had to be achieved. The increasing interdependence imposed particularly difficult demands on each State in its foreign policy or economic and social viability. In view of the long-term tendencies in the

[7] IMF, *World Economic Outlook, October 1985*, p. 99.

world economy, those demands would likely be reinforced in the future.

133. All States were facing the fundamental task of mastering the science and art of restrained, self-controlled and civilized behaviour without disregarding social, political and ideological differences. That would mean living in a climate of respectful international co-operation. A universal system of international economic security was needed to expand co-operation. That attitude was gaining international acknowledgement, as had been witnessed by the adoption of General Assembly resolution 40/173 on international economic security, which opened an important new direction of United Nations economic activities.

134. In anticipation of the seventh session of the Conference, the questions of interdependence and external indebtedness should be considered vis-à-vis not only the current situation but also the longer term. Owing to the course undertaken by leading capitalist countries in the first half of the 1980s, the world economic climate had sharply deteriorated; manifestations of crisis in international economic relations had multiplied; trade, monetary, financial, scientific and technological links among States had become destabilized; and the "development crisis" had sharpened. He shared the view of the Secretary-General of UNCTAD as to the prospects of economic disorder.

135. He was in no doubt that the above-mentioned aspects of interdependence should be at the centre of the work at the seventh session of the Conference. A possibility of careful consideration of the foundations of the acute crisis in development, trade, international finance and money and of appropriate recommendations for respective areas should be created. In that respect, he questioned the possibility of overcoming the development crisis and normalizing international economic relations in the circumstances of the arms race. The end of the arms race, liquidation of nuclear and chemical arms, and considerable cuts in military expenses—those were the necessary pre-conditions and the real source of resources for the socio-economic needs of all peoples and especially those of developing countries. Unfortunately, a principle of "armament instead of development" was still imposed on the world. To resolve the problems which the world community faced, the reverse state of affairs should be created, namely "disarmament for development". He foresaw important implications for UNCTAD activities in connection with the International Conference on the Relationship between Disarmament and Development to be held in Paris. At the next session of the Board, the Secretary-General of UNCTAD should provide information about UNCTAD's tasks as a follow-up of the Paris Conference results.

136. A clear understanding of what threatened the economic security of States should be achieved. He referred in that respect to the remarks of the Secretary-General about the rapidly increasing erosion of the trade system, the acute debt problem, and sharp falls in commodity prices. He added that the interests of economic security required effective supervision of the activities of TNCs in continuing their exploitation of developing countries and disorganizing world trade and scientific and technical co-operation.

137. Increased trust and mutual understanding, and the elimination of pressures and interference in the internal affairs of States, as well as of discrimination, economic blockades and sanctions, were indispensable for economic security.

138. He expressed the concern of Group D and Mongolia regarding the increased protectionism, particularly against socialist countries. According to the report by the secretariat (TD/B/1081 (Part I), table 5), those countries faced higher tariff barriers in the developed market-economy countries. At the same time, the non-tariff barriers were affecting a higher proportion of socialist countries' exports than was the case with exports of capitalist and developing countries. Accordingly, he hardly shared the view that the normalization of world trade involved only its liberalization in favour of developing countries. It was necessary that, in a universal forum such as UNCTAD, the trade interests of socialist countries should be fully taken into consideration.

139. He also referred to the useful activity of UNCTAD in reviewing the measures undertaken in the GATT framework, which had become relevant in view of the planned new round of MTN. As the results of such negotiations could be of a global character, it was necessary to ensure the open character of the forthcoming MTN round for all interested countries.

140. With respect to development finance, he stressed the sharpening problem of the outflow of resources from developing countries to the developed market-economy countries. At the XXVII Congress of the Communist Party of the Soviet Union the outflow directed to developed market-economy countries had been assessed on a yearly scale of more than $200 billion. He noted the real interdependence between the development crisis and that mechanism of financial drain. The necessity of tracing the impact of resource outflows on socio-economic development of developing countries had been stressed in General Assembly resolution 40/207 and special attention should be attached to that question during the preparations for the seventh session of the Conference and its work.

141. The problem of the outflow of financial resources from the developing countries was directly connected with the problem of the external indebtedness of the developing countries to the West. Interest payments were producing a growing transfer of financial resources from the developing countries and were weakening the economies of young independent States. Those resources were being used to enrich monopolies and finance the budget deficits and military programmes of the West.

142. As things stood, the developing countries were not in a position to repay their debts. Moreover, the development of a system of economic security presupposed a joint search for a just means of settling the debt problem. To that end, it was essential to achieve real progress in disarmament and to ensure the subsequent use of the released resources for the purposes of economic development. It was also essential to reduce interest rates, stabilize exchange rates, refrain from protectionism in trade and restructure the international monetary and financial system in the interests of all States. In addition, the monetary and financial difficulties of individual coun-

tries must no longer be used to exert political pressure and interfere in the internal affairs of sovereign States.

143. As the seventh session of the Conference approached, the commodities crisis in the capitalist world economy was becoming increasingly severe. That crisis was accompanied by increasing attacks in some circles against the idea of international regulation of commodity markets in the interests of both producers and consumers. Existing ICAs were encountering difficulties, and the development of new agreements was faced with serious problems. As the generally recognized central international body involved in commodity problems, UNCTAD must take decisive action, based on the Integrated Programme for Commodities, to promote multilateral co-operation in commodity issues.

144. The tension that currently existed in world economic affairs could be notably reduced through the consistent implementation of United Nations and UNCTAD resolutions aimed at the restructuring of international economic relations on a just and democratic basis, in particular the Charter of Economic Rights and Duties of States and the Declaration on the Establishment of a New International Economic Order. However, as a result of the destructive policies followed in certain circles, those resolutions were not being implemented, and attempts were being made to question their practical value. The same was happening with many recommendations and agreements already adopted or agreed in UNCTAD. A year before, the spokesman for the Group of 77, advancing the slogan "implementation and action", had shown the great potential for broad progress that lay in the implementation of existing UNCTAD resolutions and decisions.

145. The blockage of action to resolve urgent international economic problems, including trade and development problems, was being camouflaged by reference to the so-called inability of the United Nations to conduct effective multilateral negotiations and obtain concrete results and to the absence of political homogeneity among States. However, that was just a manoeuvre to prevent the United Nations and in the current instance UNCTAD from tackling the current fundamental economic and social problems. Greater attention must therefore be paid, both prior to and during the seventh session of the Conference, to the implementation of existing decisions. The Conference should take a clear position on what action should be taken in those areas where no progress had been made in the implementation of previously adopted decisions.

146. The countries of Group D and Mongolia considered that, in his introductory statement, the Secretary-General of UNCTAD had provided an objective evaluation of the current world economic situation. In that connection, it should in addition be pointed out that structural factors were having an increasingly adverse effect on growth, and 1985 had seen a marked slow-down in economic growth in those sectors and countries where growth was taking place. The rates of growth of GDP and industry in OECD countries had fallen substantially and the sharp slow-down in growth in world trade was of particular concern. The situation with regard to industrial output in the developing countries had sharply deteriorated in 1985, with output remaining at the 1984 level. The economic situation in African countries remained truly disastrous, and at the forthcoming special session of the General Assembly on Africa, to be held in May, the economic problems of Africa should be considered in a global fashion with a view to identifying solutions to the fundamental problems that existed.

147. The countries of Group D and Mongolia took note with interest of the declared intention of the Secretary-General of UNCTAD further to improve the methods of work of the secretariat. They agreed with the Secretary-General's assessment of the contribution which the secretariat could make to the attainment of UNCTAD's goals and would actively co-operate with the Secretary-General in making UNCTAD more effective, a matter of particular importance on the eve of the seventh session of the Conference.

148. In today's world, marked by contradictions but also by interdependence, the basic problems of world trade and economic development were global in nature and must be resolved in a global context in order to ensure the positive development of international economic relations. UNCTAD had a unique potential to respond constructively to the challenge of the times, and the seventh session of the Conference must be made an important stage in the history of the development of the United Nations.

149. The representative of *Poland* said that the President's optimism on the future work of UNCTAD—which he shared—was realistic, judging from the encouraging trends of events. UNCTAD was distinct among international organizations for its universality, its wide-ranging concerns and its commitment to development. That universality was of overriding importance since current problems could not be solved effectively without a global approach in an interdependent world. Poland's devotion to international collaboration was manifested in its expanding trade relations with socialist, developed and developing countries. The interdependence of issues of trade, development finance and the international monetary system was such that positive developments in any of the aforementioned areas induced positive developments in others and anything negative induced negative currents.

150. Regarding trade, he said that earlier optimistic forecasts of trade growth for 1985 had, in fact, proven invalid. GATT had recently been obliged to revise downwards its earlier estimate of trade growth for 1986 to under 3 per cent, suggesting that there were not likely to be, in the short run, prospects for export-led development. The uneven distribution of trade growth was of much concern to both developing and some socialist countries especially as far as their trade with developed market-economy countries was concerned. He attributed the unsatisfactory growth in trade to the slow-down in the recovery of developed market economies and to persistent recourse to protectionism in its form of the managed trade concept. He deplored the use of discriminatory trade practices against socialist countries often more restrictive than *vis-à-vis* developing countries, as was documented in TD/B/1081. Discriminatory actions, frequently on political grounds, were applied with the intention of inhibiting the access by socialist countries to markets of developed economies, as well as narrowing

their access to high-technology goods and modern technologies and complicating their financial and credit relations. Trade discrimination inevitably undermined the potential of mutually advantageous trade between the socialist countries and the developed market-economy countries, thus diminishing overall trade growth, with negative repercussions on the international economy.

151. Protectionism was a key factor in the continuously eroding export earnings of developing countries, undermining, in turn, their import capacity, with adverse effects on production, economic growth and employment.

152. Diminished trade growth and its uneven distribution were among the major causes of shortfalls in development finance. The difficult payments situation of many countries implied that expansion of export earnings was essential in generating over the long run sufficient resources for financing development. In the short run, it was vital that export earnings should provide sufficient cover for satisfying import demand and debt repayment. Trade was therefore the key factor in sustained development and the resolution of the debt problem. In that context he hoped that the forthcoming GATT negotiations would liberalize and give impetus to the growth in world trade. Trade growth was often inhibited by the malfunctioning of the international monetary system and increased protectionism. The domination by developed market-economy countries' interests of the international economic system undermined global confidence and security and was a cause of major concern to the weaker partners in the system. Efforts by the international community to foster a climate of confidence and in creating a system of economic security for all countries were of the utmost importance.

153. Aside from problems of trade, shortfalls of new development lending further inhibited the recovery of many debtor countries. He therefore called for the formulation of a more liberal credit policy which would take into account long-term objectives.

154. Turning to problems of indebtedness, he said that the magnitude and structure of debt seriously endangered the development prospects of many debtor countries. Payments problems were exacerbated by continually diminishing export earnings and limited access to external finance, forcing retrenchment of imports and economic development. Financing difficulties were aggravated by the increased debt-servicing burden stemming from high real interest rates. Acute debt-servicing difficulties undermined the development of debtor countries with negative repercussions on creditor States. He observed that many debtor countries, including Poland, were deprived on political grounds of access to substantial new credits. He said that the huge United States budget deficit threw the international credit system out of balance. Referring to the Baker plan, he noted that the remedies proposed did not seem to be a realistic solution to the debt problem. Normalization of financial relations between debtor and creditor countries was therefore to their mutual benefit and would contribute to the creation of the economic safety system needed.

155. A more favourable economic environment for the debtor countries would be a part of the economic safety system and special attention was to be paid to reform of the world monetary and trading system. A mutually acceptable solution to the debt problem along with normalization of financial and credit relations would foster increased confidence in both East-West and North-South relations.

156. Although the United Nations had contributed considerably to the understanding of debt and development issues, there remained substantial scope for enhancing that understanding. In that connection he drew attention to the call by the Polish Prime Minister at the 12th plenary meeting of the fortieth session of the General Assembly to establish, under the aegis of the Secretary-General, an international debt and development research centre. That centre would foster and coordinate research on debt and development issues so as to enhance understanding of that phenomenon and suggest appropriate remedies.

157. He was strongly convinced that the debt crisis was an overriding challenge for the international community. An international strategy to counter that problem must encompass efforts by debtor countries to increase economic efficiency, sustained by a more positive cooperative attitude of creditors with debtor countries. He then spoke briefly of Poland's experience in debt renegotiations within the Paris Club. He hoped that in cooperation with creditor countries Poland would be able to complete its access to the IMF and the World Bank and that that would contribute to the further normalization of its relations with its creditors.

158. Reviewing Poland's experience in adjustment to the damaging international division of labour pattern, he said it was already bearing fruit; over the preceding three years, the country had recorded a trade surplus with developed market-economy countries which facilitated debt servicing. Although Poland was striving to adapt its export structure to changing international demand, expanded co-operation with creditors together with the removal of all barriers existing in relations with them and non-discriminatory access to developed countries' markets remained vital for Polish debt-servicing capabilities over the long term.

159. He called for greater efforts by UNCTAD in promoting international co-operation in several fields and indicated that Poland would spare no effort in contributing to that goal.

160. The representative of the *Netherlands*, speaking on behalf of the *European Economic Community and its member States*, stated that in recent months there had been considerable changes in the world economic situation although uncertainties still existed. Economic activity had continued to grow in the industrialized countries and overall growth rates in 1985, though slightly lower than the previous year, were more evenly distributed. In the developing world, there had been considerable improvements in the economic situation of many countries but there remained significant variations in performance from country to country. The rise in world trade had been less than expected in 1985 but the gradual fall of the dollar was a positive development which should help eliminate some of the distortions which had become apparent in international trade.

161. Despite difficulties for certain oil-producing countries, the recent decline in the price of oil should have a beneficial effect on the level of growth in the world economy as a whole. That should include: a further improvement in the steady fall of interest rates which had been evident in the recent years; the slowing down of inflation; and accelerated economic growth. In that respect, oil-importing developing countries would benefit from the drop in oil prices as well as from the lowering of interest payments on their debt. On the other hand, certain problems would arise from oil price instability. In the short term, oil-exporting developing countries would undergo severe financial strains owing to the loss of oil revenues, necessitating import cutbacks and some reorientation of domestic priorities. The purpose of the policies of the EEC would be to ensure that difficulties of that character would not be allowed to compromise the overall positive developments which the drop in oil prices ought to bring about.

162. Economic forecasts for the coming year indicated that economic activity in the Community should continue to expand in the medium term, and inflation rates should continue to decelerate markedly. The slight weakening of exports which was forecast as the growth of world trade fell back should be offset by a gradual strengthening of internal demand, thus gradually shifting the sources of economic growth from external to domestic factors. On the other hand, unemployment still remained at high levels and efforts should be redoubled to bring the increase in the rate of unemployment to a halt.

163. The States members of the European Communities were concerned with achieving a greater degree of stability in world financial relations, particularly with respect to reducing real interest rates to a sound level and avoiding substantial misalignments between the major trading currencies of the world economy. They had welcomed the announcement by the Group of Five in September 1985, that exchange rates should play a role in adjusting external balances and that to do that they should better reflect fundamental economic conditions. They recognized the role which exchange rate stability could play in ensuring the smooth operation of international trade.

164. The EEC was committed to advancing the work programme of the preparatory process leading to a new cycle of MTN. A balanced growth of trade flows between nations remained closely connected with a stable monetary system with realistic exchange rates. Results in the monetary and financial areas should be sought in parallel with results in the trade field. The Community took satisfaction in the smooth functioning of the European Monetary System which it intended to maintain and strengthen, both to facilitate intra-EEC trade and to stabilize the international monetary system.

165. The concept of interdependence among international economies could be well illustrated by the question of the debt problems of the developing countries. That was a question of major concern to industrialized and developing countries alike, as the close trading and financial links which bound the economies together made the return of the industrialized world to full economic recovery partly dependent on the successful management of the debt problems of the developing countries. At the same time sustained non-inflationary growth and a liberal trade policy in the industrialized countries was a necessary prerequisite for a lasting solution to the problems of the indebted developing countries. Sustainable growth in developing countries was essential in the search for a lasting solution of debt problems.

166. The Community and its member States recognized the adjustment efforts undertaken in the preceding few years by some indebted developing countries and which had led to significant improvement in their external financial position. The continued fall in interest rates and, in most cases, the recent drop in oil prices might serve to reinforce those adjustment efforts. However, many countries would continue to be confronted with serious external financial problems in the years to come and further efforts would be required by all sides taking into account the specific situations faced by individual countries. The Baker plan outlined a coherent general approach to the debt issue since it touched upon many of its important aspects: the need for implementation of efficient macro-economic and structural policies by indebted countries, the central role of IMF, the increased involvement by multilateral development banks and the availability of commercial bank credits. Thus, the Baker initiative constituted a useful contribution to the search for a constructive and agreed solution and should be further explored and enhanced.

167. The EEC recognized the difficult external financial situation faced by African countries as well as the fact that their debt was mostly related to public aid flows and it continued to search for ways to promote a reasonable management of their external financial position, particularly through the provision of increased ODA.

168. During the first part of the fortieth session of the General Assembly, in the Second Committee, the States members of the Community had submitted a draft resolution[8] on debt and related issues which urged a further strengthening of international economic co-operation, outlined a realistic strategy on a country-by-country basis to be pursued and called for the full implementation of existing United Nations resolutions on the subject. In recent years, they had paid special attention to the critical situation in Africa, particularly that of the poorest countries in sub-Saharan Africa. They could participate constructively in the special session of the General Assembly on Africa, at which the specific problems faced by all African countries would be examined.

169. The provision of adequate net ODA flows was of vital importance for the economic development of the developing countries. The Community and its member States would continue to make concrete efforts to assist those countries bilaterally as well as through multilateral and Community development institutions. The Community also wished to reaffirm its adherence to the 0.7 target as well as to the 0.15 target set in the Substantial

[8] Draft resolution A/C.2/40/L.129, submitted by Luxembourg on behalf of the States members of the EEC, consideration of which was deferred by the General Assembly, in its decision 40/474, to its forty-first session.

[9] See footnote 5.

New Programme of Action for the 1980s for the Least Developed Countries.[9] It attached high priority to the upcoming Eighth Replenishment of IDA and noted the importance of maintaining the highly concessionary nature of its funding and the need to proceed in a timely way to increase the capital of the World Bank.

170. The Community stressed the central role of IMF. It noted that IMF was empowered to take decisions on monetary and financial questions relating to balance of payments, exchange rates and international liquidities, which were also of great importance to developing countries. The Community noted that recent developments in the field of commodities deserved careful examination in UNCTAD. The Common Fund had still not come into operation. In view of the considerable change in the world economic situation since the adoption at the fourth session of the Conference in Nairobi, of resolution 95 (IV) of 31 May 1976, concerning the establishment of the Common Fund, the difficulties in translating that into reality, as well as recent events regarding commodity agreements, the UNCTAD secretariat should develop some innovative thinking in the whole area of commodities between the current session and the seventh session of the Conference.

171. He stated that the interdependence between the various economic issues and between the various partners of the international economy made it the joint responsibility of the international community to find solutions to the problems facing it. It also underlined the need for policies which would complement each other in order to produce a sustained non-inflationary growth. There was thus a need to find a common approach centred on: (*a*) reasonable domestic adjustment efforts and overall economic policies by the developing countries themselves; (*b*) adequate transfer of resources to the developing countries, including ODA, commercial bank flows, investments, export credits and funds from multilateral institutions; (*c*) strengthening the open multilateral trading system; (*d*) greater stability in the monetary system and more co-ordination in the macro-economic policies of the major economies; and (*e*) specific measures in favour of the least developed countries.

172. The spokesman for the *Group of 77* (Sri Lanka), speaking on item 3, said that many of the problems of international monetary, financial and trade relations, including issues of debt, resource transfers and commodities, had common origins. Moreover, they often interacted in a complex manner, giving rise to repercussions and also to policy implications that were not always apparent when the individual topics were seen in isolation. Situating different problems in a common setting also highlighted the many linkages between countries and groups of countries, often ignored when individual economies were analysed separately.

173. UNCTAD's interest in interdependence emanated from the three characteristics of the institution, namely its universal membership, its wide-ranging concerns and its development mission. Interdependence made it possible to examine questions such as order and disorder, to grasp the significance of seemingly disparate phenomena, to gauge how impulses were generated and transmitted across the world economy, and to assess their impact on trade and development. It also permitted the formulation of policy measures.

174. A close look at interdependence was important at current times of crisis, since linkages among problems tended to multiply, increasing their intensity. When the processes at work and their repercussions were examined systematically, it was obvious that the growth of international problems was accelerating.

175. It was therefore important to engage in a full, frank and open debate on interdependence. The emergence of a consensus on the processes at work and their repercussions would facilitate agreements on concrete policy measures that could overcome the current difficulties to the mutual benefit of all.

176. Turning to the crisis in the developing world, he observed that development was at a standstill, investment had been drastically cut, unemployment had greatly intensified and inflation had accelerated. Living standards had fallen to levels which put the social and political fabric under severe strain. The crisis in Africa persisted while the situation in the least developed countries remained daunting. There was a close interrelation between the abrupt deterioration in the external financial and trading environment and the development crisis. He attributed the gravity and pervasiveness of the crisis to the accumulation of external shocks inflicted upon the developing countries since 1979. The crisis persisted owing to continued inclemency; greatly worsened terms of trade were exacerbated by a decline in financial flows and several debtor countries were running vast trade surpluses while experiencing a massive net outflow of financial resources.

177. The complex external situation could not be tackled by domestic adjustments alone. So far, the adjustment process had been asymmetrical. Developing countries had made major sacrifices, re-ordered their priorities, and endeavoured to keep current on their external accounts. There was no margin left for further contractionary adjustment. Henceforth, structural adjustments must necessarily give impetus to growth and development. Adjustments and development required additional investment, and hence foreign exchange. Without an improvement in the external environment, many developing countries would lack the resources for growth and adjustment and face the prospect of continuous stagnation, even retrogression. Citing analysis from the *Trade and Development Report, 1985*,[10] he said that a grim scenario would result if externally determined key macro-economic variables failed to improve. On the other hand, even a modest improvement in those variables would have a positive impact.

178. The failure in countering various external "shocks" was reflected in the weak recovery process in the industrialized countries. Interest rates remained extremely high in real terms. The pace of expansion in the OECD area was not sufficiently strong to revive commodity prices significantly, while oil prices were falling. Protectionism was intensifying especially *vis-à-vis* products of export interest to developing countries. Bank lending remained depressed, discouraged by the heavy

[10] See footnote 1.

en of debt and of interest payments combined with veakness of the terms of trade. The stress on fiscal odoxy combined with insular attitudes had led to slow expansion in ODA and the lending capacities e multilateral development banks. That was also re- ed in the very tight IMF conditionality. Exchange had been volatile and, until very recently, were sly misaligned, aggravating the debt burden. He at- ted those weaknesses to national policies in a few strialized countries and the structure of the trade and nents system.

79. He said that the frustrations confronting devel- g countries were increasing in spite of some positive lopments. There was a growing perception among e of the economic centres of interdependence and of need to strengthen international co-operation. That evident from the autumn session of the Trade and elopment Board and other forums and was reflected e President's summary and conclusions. There was recognition that international ramifications must be n into greater account in policy making, and that erted and coherent international efforts were re- ed on a broad front. To date, there had been no co- nated and meaningful policy initiatives on interde- lence. Protectionism was proliferating, a malaise ch was fuelled by the policies pursued in the areas of ey, finance and exchange rates. The objective of erving and strengthening the multilateral trading sys- should be pursued concurrently with that of the re- of the international monetary and financial system. at connection, he urged that the proposal by the Sev- Conference of Heads of State or Government of -Aligned Countries for a conference on money and nce for development with universal participation be rously pursued.[11] He noted that Governments had essed renewed interest in the question of monetary rm.

80. Changes in thinking and in practice which had ntly occurred were inadequate and did not address concerns of developing countries. The reform of do- ic policies continued to be over-emphasized, as was litionality. There was still far too little awareness of need to improve external variables. Indeed, recent in- ves were seemingly intended to buy time for banks to reduce imbalances within the OECD area rather foster conditions conducive to a resumption of de- pment. For example, he noted that interest rates, e declining owing to slower growth in developed tries, remained extraordinarily high for developing tries. The expansion of bank lending, although posi- remained minimal. Multilateral lending was, on the r hand, associated with extremely demanding condi- s. Such an approach was simply inadequate.

81. The challenging task ahead was to agree on a ge of overall course and direction, and to pursue rete and coherent policy measures across a broad and in a mutually reinforcing manner, including sures designed to address the particular problems of can and least developed countries. Measures were ired to stimulate a more vigorous rate of expansion ctivity in all countries and to generate positive net flows to all developing countries. Interest rates had to be significantly reduced while debt relief had to be provided. Co-operation in commodities must be strengthened and accompanied by efforts to halt and reverse protectionism and to take positive adjustment measures. It was imperative to augment the capital base of multilateral development financing institutions and to gear their lending more closely to the needs and priorities of developing countries. It was also necessary to step up ODA and to lighten IMF conditionality. Such measures must form the core of that strategy, including reform of the international monetary system.

182. The interlinkage of problems and the interdependence of countries was at the heart of their concerns. He hoped the seventh session of the Conference could provide the occasion to work out a new course and agree to specific actions designed to revive development.

183. The representative of *Saudi Arabia* supported the statement by the spokesman for the Group of 77 and said that, although he agreed with the general analysis of the Secretary-General of UNCTAD of the international economic situation, he did not share his views concerning the effect of falling oil prices on inflation, since the rectification of the situation in regard to oil prices in 1974 had been the result rather than the cause of world inflation, as had been confirmed by impartial international studies and reports. It was known that inflation had begun years before that time. The situation had been aggravated by the measures taken to remedy inflation, such as the abolition of the gold standard, the floating of currencies, the resulting severe fluctuations in exchange rates, the rise in interest rates and the increasing indebtedness of the developing countries.

184. In spite of the signs of international economic recovery in many of the major industrialized countries in the early 1980s, that recovery remained fragile and could be reversed unless accompanied by specific measures to restore confidence in the international economic order. The recovery was not uniform and had taken place at the expense of the developing countries. Although signs of economic recovery were observed in the consumption sector, a similar trend was not evident in the production and investment sectors. That was possibly due to the persistent instability in a number of the basic components of those sectors, such as continued fluctuations in commodity prices, particularly petroleum, and lack of stability in interest and foreign exchange rates, in addition to the difficulties facing international trade as a result of the spread of protectionism and rising unemployment rates that were affecting the economies of the major industrial countries.

185. The international energy situation was still largely uncertain and volatile since oil prices had fallen even during periods in which seasonal demand normally increased. Countries not members of OPEC, by increasing their production, had gained an influential position in the market and had caused a fall in prices. Continued low economic growth throughout the world and the measures taken by the industrialized countries were among the factors that had led to a decrease in energy consumption, thereby further reducing the demand for petroleum. The situation had been further aggravated by the manner in which some industrialized countries had

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[11] See A/38/132, annex.

encouraged the exertion of continued pressure to reduce petroleum prices, thereby affecting the energy industry and the economies of the oil-exporting countries in particular, at a time when the persistence of the current situation in the international petroleum market under the current international circumstances was impeding the course of economic recovery. That fact contradicted the assertion by the spokesman for Group B that the fall in oil prices would benefit both the developed and the oil-importing countries and that that—in his view—would stimulate the world economy.

186. The spokesman for Group B had said that the average growth rate in the OECD countries had dropped from 5 per cent in 1984 to 3 per cent in 1985. However, it was known that oil prices had begun to fall in 1982 and had dropped sharply in 1985 and the early part of 1986. How could that drop in the growth rate and the slow-down in world economic recovery in relation to previous years, in spite of the considerable drop in oil prices, be explained? Furthermore, the fact that the growth rate in the developing countries had decreased from 3.7 per cent in 1984 to 2.5 per cent in 1985, while the growth rate of international trade had dropped from 9 per cent in 1984 to 3 per cent in 1985, confirmed that the sharp drop in oil prices had impeded the continuation of the world economic recovery that had begun in the 1980s.

187. Consequently, stability in the international petroleum market and in oil prices, apart from being necessary in the joint interests of both exporting and consuming countries, was an important factor in the promotion of world economic recovery in the production and investment sectors. Accordingly, the persistence of the current situation in the international petroleum market and the attitudes adopted by some parties with a view to obstructing OPEC efforts to create a balance between supply and demand would not serve the real interests of the international community. The downward pressures that those parties were bringing to bear on petroleum prices might further their own immediate interests but were certainly not conducive to the medium- and long-term interests of the world economy. They were exposing the petroleum industry to great dangers which were likely to impede investment decisions aimed at meeting reasonable international energy needs in the near future. They would also undermine the profitability and economy of many existing petroleum sources. Those practices, which were conducive to the spread of anarchy and instability, would also impede the investment decisions now required in many production sectors without which the world economy could not progress steadily towards comprehensive and general recovery.

188. In the context of world structural adjustment and the utilization of the relative advantage it enjoyed, Saudi Arabia had established petrochemical industries, whose primary purpose was to promote trade, strengthen economic links in the common interests of trading partners and diversify the country's economic base, which was largely dependent on its oil exports. Most regrettably, that fledgling industry had encountered many obstacles and protectionist measures on the part of the industrialized countries, notwithstanding the fact that many of them were constantly advocating a free economy and free trade. That increasing trend towards pr tectionism was not in the interests of the world econom Consequently, there was a need to assert the intern tional community's belief in the principles of free tra in word and in deed, to put an immediate end to the s called trade protection measures and to eliminate the o stacles impeding the growth of international trade a access to world markets as an essential prerequisite f the restoration of confidence in the international ec nomic order and the consolidation of the trend towar world economic recovery.

189. During the preceding decade, Saudi Arab was the developing country that had provided the mo official assistance to the developing countries. In son years it was also the principal international donor terms of overall volume of assistance. The total offici assistance provided by the Kingdom during the perio 1973-1984 amounted to $46 billion, of which no reimbursable grants accounted for an average of 47 p cent, the rest being concessional and condition-free d velopment loans allocated to numerous vital projects i various development sectors. Most of that official Sau Arabian assistance was given to the most disadvantage and least developed countries of the world. Of the 70 d veloping countries that benefited from it, 38 were in A rica, 25 in Asia and 7 in other regions of the worl Those grants and concessional loans helped to imple ment more than 215 projects in basic development sec tors such as airports, seaports, railways, roads, wate ways, electric power, water and drainage, productio sectors such as agriculture and irrigation, agro-industrie and the education, health, social and other developmer sectors.

190. The Kingdom had shown particular concer for the problem of drought and famine in the Africa continent, particularly in the countries of the Sahel. I 1981, it had allocated $100 million for the implementa tion of an urgent programme to provide water and foo for those countries and a further $30 million had recently been allocated for the extension of that programme. I view of the continuation of the drought and its spread t other African countries, the Kingdom had decided t provide more assistance in cash and in kind and to dril more wells, the cost of which amounted to $240 millio during the preceding three years, for the benefit o 16 African countries.

191. The Kingdom had also shown great concer for the problem of refugees in Africa, particularly in the Sudan and Somalia, and for the victims of the conflict in Chad. The value of the assistance in cash and in kind that was thus provided for those people amounted t more than $80 million, of which $35 million had been given at the first and second Conferences on Assistance to Refugees in Africa.

192. In the light of the circumstances noted in the World Food Report, the Kingdom had decided to donate an additional amount of $55 million to be paid during 1985 and 1986. The Kingdom was continuing to support economic and social development plans and programmes in the least developed countries through numerous channels and a number of regional programmes such as the River-Blindness Control Programme.

193. In addition to its outstanding role at the bilateral level, the Kingdom was a major contributor to the resources of a large number of regional and international development institutions. It provided not less than 20 per cent of the capital of 15 development institutions. Saudi Arabia was also a principal source of funding for international financial institutions. At the international level, the Kingdom had provided substantial assistance to enable United Nations agencies to implement their various development, social and humanitarian programmes.

194. The representative of the *Council for Mutual Economic Assistance* said that the current session of the Trade and Development Board was taking place against a background of shaky economic conditions in developed market-economy countries and a severe economic situation in the majority of developing countries. The debt problem had become unprecedentedly acute.

195. He noted the negative impact of such an environment on CMEA countries. In spite of that, their economies had been continuously growing. While implementing current tasks, those countries were formulating the prospects of co-operation. Thus the co-ordination of their economic plans for the period 1986-1990 had been finalized. In that framework growth in mutual trade and progressive changes in its structure had been envisaged.

196. He pointed out that the economies of CMEA countries played a stabilizing role in world economy. Their economic strategy was focused on the use of scientific and technical progress to lead to efficient production. The Comprehensive Programme to Promote the Scientific and Technical Progress of the CMEA Member Countries up to the year 2000 had been designed and endorsed at the forty-first session of CMEA (see TD/B/1093). That programme included such priority directions as electronics, complex automation, atomic energy, production and processing of new materials, and biotechnology. The implementation of the programme should support an at least twofold increase in labour productivity and sharp cuts in per capita use of energy and commodities. Those achievements should be reached in an environment of world-wide co-operation with other interested countries. He noted that CMEA would continue to provide scientific and technical assistance to the developing countries.

197. He also pointed out that the socialist countries were, even more so than others, subject to discriminatory non-tariff barriers. He confirmed that CMEA countries were committed to improvement of co-operation and trust, overcoming all kinds of barriers, avoidance of all forms of economic aggression, establishment of new international economic order and elimination of underdevelopment. For example, CMEA had expressed its readiness to co-operate with the EEC and to establish official relations with that body. He also noted that world economic development needed peace and disarmament. He expressed the readiness of CMEA to co-operate with UNCTAD.

198. The representative of *Ecuador* observed that the current session of the Board was taking place against the sombre background of the persistent effects of the prolonged international economic crisis. Manifestations of the crisis were continuing to affect the evolution of international trade and financial relations and to confront the economies of developing countries with depressed conditions in international markets. In that context, he also referred to the statement of the Secretary-General of UNCTAD which drew attention to the persistence of a "crisis of development" and identified several of its features.

199. The opinion had been expressed in the Board and elsewhere that an international crisis did not exist and that some industrialized countries had experienced economic recovery. Unfortunately, this recovery had failed to generate a positive impact on international economic relations. Developing countries continued to confront external obstacles to their economic development as severe as in previous years. At the national level, developing countries had adopted costly and courageous programmes of adjustment in order better to service their excessive external debt, for which creditors also shared responsibility.

200. His delegation, while associating itself fully with the statement of the spokesman for the Group of 77, wished to address a number of issues clearly within the competence of UNCTAD. He referred to General Assembly resolution 1995 (XIX), which had recognized UNCTAD as the universal forum for dealing with problems of trade and development, including monetary and financial questions and external indebtedness. The interdependence among those sectors could not be questioned, nor could one deny the fact of interdependence between industrial countries and developing countries even while recognizing the inequities in that relationship. Accordingly, international action should be geared toward a comprehensive approach to solving those problems.

201. Because of its size, complexity and implications, the external indebtedness of developing countries had transformed itself into a political problem which required that political decisions be made by international consensus among creditor and debtor countries. As an example he referred to the Baker plan. Although that initiative represented a positive step in the financial area, its isolation from other measures rendered it inadequate for achieving its stated aim, namely to stimulate economic recovery in the countries which would receive new credits.

202. The potentially positive effects of increasing capital flows would be nullified by the persistence of high interest rates and closed or depressed export markets. Accordingly, the international community should consider increasing the resources of international financial institutions in order that, by means of credit extended on concessional terms and with conditions compatible with the requirements of development, the negative net transfer of resources from developing countries might be reversed. At the same time, in recognition of the co-responsibility for the debt problem shared by creditors, the industrialized countries should adopt appropriate monetary policies, pursue responsible fiscal policies and begin to eliminate protectionist measures.

203. His country had been obliged to adopt adjustment policies along with and after the rescheduling of its external debt. Nevertheless, the difficult measures

adopted threatened to prove sterile if interest rates in international capital markets were to remain high and the tendency toward instability of prices for commodities such as petroleum continued unchecked. The reduction of receipts from petroleum exports directly affected the ability of his country to service its external debt and to finance the agencies responsible for implementing previously agreed upon development programmes.

204. Several export products of his country faced contracting international markets. Sugar, for example, faced difficulties in the United States, while tuna faced difficulties in the EEC, in addition to bananas in Italy. Those examples illustrated the extremely adverse effects of protectionism on the vulnerable economies of the developing countries in flagrant contradiction to the undertaking agreed by industrialized countries in adopting Conference resolution 159 (VI).

205. In his view, a multilateral agreement directed toward improving the interrelated problems of trade, money and finance was nothing less than an imperative of international economic co-operation. It was his hope that the current session of the Board would provide an impulse to multilateral economic negotiations as a first step towards the seventh session of the Conference, preparations for which should begin with an expression of political will on the part of all member States to ensure its success to the benefit of the prosperity of all peoples.

206. The representative of *Canada* assured the new Secretary-General of UNCTAD of his delegation's full support in efforts to make UNCTAD a more relevant and valuable institution to all its members in the context of fostering growth, trade and development.

207. Canada was acutely aware of the importance and the nature of economic interdependence given its own very open economy. As a major trading nation, Canada's economic survival depended on the maintenance of an open multilateral trading system. Exports accounted for nearly a third of Canadian domestic production and imports supplied over 30 per cent of domestic demand. Canadian capital markets were highly integrated with international capital markets. Canada was receptive to foreign investment and technology in order to stimulate competitiveness in a shared development of the Canadian economy. As a result, the Canadian economy was extremely sensitive to developments in the external economic environment, and particularly the factors of stability and sustained growth.

208. Although he thought not everyone would share the pessimistic opening remarks of the Secretary-General of UNCTAD on the world economy, he noted that the international trade and financial systems were characterized by major imbalances. Industrialized countries were confronted by difficult domestic policy problems that had effects beyond their borders. Fiscal deficits, wide trade imbalances, unemployment and structural weaknesses had variously circumscribed the ability to make decisions. Many developing countries were burdened by enormous foreign debt and debt-servicing obligations, as well as weak commodity prices from over-supply and weak demand. International interest rates in major capital markets remained above historical averages, further exacerbating their difficulti Exchange rates remained fluctuating, distorting tra prospects and adversely affecting debt management.

209. The risks inherent in the current internatior situation were substantial, but so were the opportuniti for positive policy development in reviving growth. I dustrialized countries had demonstrated a readiness, ov recent months, to strive for greater co-ordination of tho policies that impinged on the international environme Of significance were the continuing efforts of the Unit States to reduce its federal deficit, offering the prospe of moderate and orderly declines in interest and doll rates. Canada was making similar determined effor Also important was the prospect for increased domest demand-led growth in Japan and in some Europe countries, which would stimulate import demand a complement growth in the North American economie The decline in oil prices would have a similar positi impact on world economic growth, although it p osed di ficulties for oil exporters.

210. Pointing to some positive developments, he r ferred to the Group of Five agreement of Septemb 1985 to moderate exchange rate disparities. Group B statement had elaborated on initiatives in the areas of i terest rates and the new round of trade negotiation Those negotiations would provide the framework for r solving a broad range of trade problems and strengthe ing the multilateral trading system for the benefit of a The negotiations would influence favourably econom stability and growth, and the ability of developing cou tries to service debt and their capacity to mobilize r sources necessary for sustained development.

211. The importance of a fair and open trading sy tem could not be overemphasized. Beyond its adverse e fects on international trade, protectionism both hinder the resolution of the debt problems of developing cou tries and undermined their ability to undertake structur adjustments necessary to foster export-led growth. Ca ada was committed to the strengthening of the multila eral trading system. The new MTN were vital to achie ing that objective and to promoting positive structur adjustment in both developed and developing countrie He hoped that all countries would contribute in the ne round of negotiations and Canada would closely c operate with developing countries in those negotiatior in the pursuit of common objectives.

212. He described Canada's continuing role in in proving the economic environment through reduction i the fiscal deficit and the debt/GNP ratio and the impos tion of higher taxes, as set out in the 26 February budge Every Canadian would make a sacrifice. Such measure were necessary to put Canada's house in order and t create a firm basis for future growth and development.

213. Fiscal restraints would have some, albeit lim ited, consequences on Canada's commitment to its par ners in development. It was Canada's intention t achieve an ODA level of 0.5 per cent of GNP in the ne year, with the ratio increasing to 0.6 per cent by 199 and 0.7 per cent five years later. In the preceding fiv years, Canadian ODA had totalled $Can 8.7 billion and in the next five years, Canada would spend $Can 13. billion, making it one of the fastest growing internationa

aid programmes. Canada remained committed to channelling its aid to the neediest and was in the process of achieving the target of providing aid to least developed countries equal to 0.15 per cent of Canadian GNP. Canada disbursed 8.7 per cent of its total ODA through non-governmental organizations, a proportion unmatched by other donor countries. Aid was thus channelled to the disadvantaged at lower costs and Canadian non-governmental organizations were helped in their efforts to obtain additional funding from the public.

214. Canada had now adopted a stricter definition of ODA and all Canadian development assistance would henceforth be provided on an all-grant basis as a move in offering more effective and non-debt-creating aid.

215. Canada remained deeply committed to assisting developing countries in meeting their development challenges. To that end, his country was in the process of implementing a package of agreed trade and development measures in favour of the Commonwealth countries of the Caribbean. Canadians had also been perhaps the largest and the most personally involved Western donors during Africa's recent crisis; Canada had disbursed over $Can 850 million in aid and emergency assistance in the current fiscal year.

216. Turning to the seventh session of the Conference, he stressed that, as a strong supporter of multilateralism and the United Nations system, Canada had remained fully supportive of UNCTAD even during its more difficult times. Canada intended to continue to support the organization, working—as times and conditions changed—to ensure its real relevance and contemporary value for all members. For that reason Canada had participated in Group B's efforts in 1984 to suggest ways in which UNCTAD could be made more effective, and its intergovernmental mechanisms and work methods more conducive to productive outcomes. Canada fully appreciated the initiatives, taken under the effective interim leadership of Alister McIntyre, towards more balanced and shorter documentation, better management, greater transparency and other improvements. Canada was pleased with the new Secretary-General's promise to continue to maintain effective management and the integrity and credibility of the secretariat. Notwithstanding those important positive developments, it was now necessary for Governments to turn their attention to restoring the relevance and value of the organization's substantive role.

217. The seventh session of the Conference was thus of considerable importance. Its agenda should permit it to make a timely contribution to the treatment of issues being considered in 1987, both within and outside UNCTAD, and to establish priorities for work in the organization following the Conference.

218. Canada was convinced that a fresh and cross-sectoral approach was vitally needed if the sterility and mutual frustrations of the fifth and sixth sessions were to be avoided. It was necessary to bring some new ideas to the fore, to re-examine old ones from a new perspective, and to make hard decisions on priorities. Such an approach under the auspices of a main theme, such as "Development, Trade and Structural Change", would contribute to a new understanding of the relationships among trade, finance, commodities, and other issues, and facilitate a determination of what immediate action and long-term planning were necessary to deal with current and prospective problems.

219. Canada thought that it was possible to achieve, before the summer of 1986, a blueprint for the seventh session of the Conference, one which would build on the recent improvements in effectiveness and the new sense of credibility which UNCTAD appeared to be acquiring. That blueprint must offer the organization the possibility of playing an active and significant role both as a respected deliberative body, better able to offer credible advice from its special vantage point to those specialized forums responsible for particular issues, and as an operational and negotiating forum, better equipped to give pragmatic treatment to those issues assigned such attention by its mandate.

220. The representative of *Japan* observed that, since the previous session of the Board, the international economic environment had been marked by several positive developments, including the improved alignment of major currencies, initiatives towards the start of the new round of trade negotiations and recent reductions of major countries' interest rates. However, he shared the views expressed by the Secretary-General of UNCTAD that the world was facing many problems and that development was in crisis. He also agreed that "the various tensions were closely interrelated" and their consequences were adverse for all countries.

221. The economic performance of the developed countries had considerably influenced the environment and direction of the development process. Sustained non-inflationary growth was vital to global stability and prosperity, which would benefit all countries. To that end, the developed countries had, therefore, a responsibility for pursuing co-ordination of their economic policies. At the forthcoming Tokyo Economic Summit, Japan would endeavour to encourage co-operation among the seven major industrialized countries in the interest of the stable development of the world economy. Developing countries also had responsibilities for enhancing international co-operation and for improving the management of their national economies. He called for the best efforts of all countries in observing their responsibilities in accordance with their given conditions and their capabilities. The important task ahead was to revitalize the world economy and the momentum of development.

222. He emphasized that all countries should commit themselves to containing protectionism and maintaining and strengthening the free trading system. In that connection, the forthcoming new round of trade negotiations would play a vital role. Japan, as one of the original proponents of multilateral trade liberalization, would make every effort to contribute to laying the best foundation for the new round.

223. Especially for the developing countries, improved market access was a necessary prerequisite not only to enhance their debt servicing capabilities but also to promote the development process. His Government had adopted a series of multilateral measures to improve access to the Japanese market. The Action Programme for Improved Market Access was actively being imple-

mented. Japan had also taken various measures to expand its domestic demand, such as the two recent reductions of the official discount rate. It was Japan's intention to exert maximum efforts to make its market among the most accessible in the world. Coupled with economic policies to increase its domestic demand, Japan would continue to provide opportunities for increased imports.

224. The strengthening of the free trade system required a smooth functioning of the market mechanism and developed and developing countries must therefore endeavour to reduce or eliminate domestic structural rigidities and barriers. Structural rigidities in both developed and developing countries were caused by such factors as excessive government intervention and rigidity in the labour market, which constrained entrepreneurial vitality and the potential for improving productivity and competitiveness and therefore encouraged protectionism. Japan had started to seek revitalization of its economy through elimination of excessive government intervention and the encouragement of private initiative. He said that the review of protectionism and structural adjustment at the current session was particularly timely.

225. As to financial resources for development, he emphasized that adequate financial resources and their optimum use were crucial in sustaining the development process. It was undeniable that domestic resources had played a more central role as compared to external financial resources in financing development. It was therefore vital for the developing countries to adopt various policy measures to mobilize domestic resources. External resources could only be channelled to countries making serious internal efforts. In that connection he emphasized the importance of ODA, especially for least developed countries which had relatively little access to foreign private resources. In September 1985, Japan had announced a new Medium-Term Target designed to increase the total amount of its ODA over the period 1986-1992 to more than $40 billion. The ODA-related budget for fiscal year 1986 was expected to show 7 per cent growth, pending parliamentary approval. It was also essential for developing countries to create a conducive investment environment to encourage an increased flow of private financial resources to developing countries, whether direct or portfolio investment.

226. On the debt issue, he called for co-operative efforts in accommodating to the specific circumstances of indebted countries. In that context, the stage of development, the composition of commercial and official debt, and the potential impact on the socio-political stability of the debtor country in question should be studied. Japan was therefore in favour of a case-by-case approach in handling debt problems. He added that the debt problem could not be viewed in isolation because of its close bearing on medium- and long-term policy objectives of trade and development.

227. Several positive developments had recently emerged. The co-ordinated reduction of interest rates by the United States, the Federal Republic of Germany, Japan and other countries would certainly ease the strain on debtor countries. He welcomed the Baker plan as a new step in the direction of a co-operative approach involving all concerned parties.

228. Turning to the seventh session of the Conference, he noted that the current session marked the starting-point of the preparatory process. He was appreciative of the efforts of the Secretary-General of UNCTAD. He shared the view of the Secretary-General that the seventh session of the Conference would present an opportunity for restoring confidence in multilateralism and the utility of UNCTAD as a multilateral institution.

229. Renewed co-operation was needed under the changing world environment. Since the establishment of UNCTAD, the world economy had experienced significant changes and there was a need to adapt to that reality. He noted some of the key changes. First, there was the unprecedented degree of interdependence among economies of developed and developing countries, implying that it was imperative for all to assume joint responsibility and co-operate coherently in the resolution of major problems. Secondly, there was the conspicuous interlinkages among issues such as macro-economic and technological trends, trade, debt and development. He cited the example of commodity market problems which could not be approached solely by conventional trade policy techniques. Thirdly, there was a growing awareness of the need to adopt fine-tuned and differentiated approaches, according to the diversified requirements of individual developing countries, particularly in dealing with severe problems such as that of limited resources which could not be easily increased over the immediate future. He said that the key words seemed to be "mutual confidence and pragmatic co-operation among all parties".

230. He emphasized that the success of the Conference depended heavily on the preparatory process. To facilitate the preparatory process, he pledged his delegation's support in forging a timely agreement on the focus and agenda of the Conference. To that end, genuine and constructive consultations between developed and developing countries were required over the coming several months. It was therefore essential for the Board to establish at its current session the consultation procedure and time schedule.

231. The representative of *Venezuela* expressed agreement with the Secretary-General's description of the general status of the world economy. He expressed concern that the dangerously contradictory policies that had led to that situation were still being implemented and that the tension and pressures thus generated were constantly increasing. Although the industrialized countries had recognized the seriousness of that situation, they had not adopted policies or measures to resolve it. On the contrary, their policies neglected the interdependence between trade, money, finance and development, as well as that between industrialized countries and developing countries. If their inconsistent fiscal and monetary policies were not corrected, a collapse would be inevitable.

232. The recent change in attitude towards the debt problem had not yet led to action and, although the industrialized countries claimed to fight protectionism, access to their markets of manufactured products had become more and more difficult. It had been recognized that in the current situation of declining prices and vol-

umes of primary commodity exports, debt servicing had become virtually impossible. Yet, at the same time, ICAs were not being ratified and refinancing schemes had been adopted with very unfavourable conditions. Although it had been recognized that the developing countries were in need of financial resources in the form of loans and direct investment, the scandalous and unsustainable inverse transfers of resources from the developing countries to the industrialized countries continued year after year.

233. It was fortunate that references were no longer heard regarding the first obligation of a country "to put its own house in order". Such "adjustment policies" presupposed a favourable international environment which existed only in theory. The majority of developing countries, especially in Latin America, had been carrying out that so-called "adjustment" at the cost of great sacrifices which had been generating social tension that could give rise to extremely dangerous situations. Those countries not only were not living beyond their means, but had receded to the living standards of a decade earlier, in order to be able to service their debts. Unfortunately, some of the industrialized creditor countries which most forcefully demanded the punctual payment of debts, were, for their own political reasons, not willing themselves to adjust or to stop living beyond their means. That unwillingness to implement their own adjustment process, which they were urging so much on the debtor countries, had made it very difficult—and sometimes impossible—to accomplish the objective of the debtor country to pay its debts. No refinancing scheme for debt could cope with the high interest rates and an international deflation of prices that affected, first of all, the raw materials of the debtor countries and was accompanied by an increasing protectionism in the industrialized countries.

234. He expressed surprise at the satisfaction of Group B at the fall in petroleum prices. The OPEC countries saw that as a temporary situation; in a few years, demand for petroleum would surpass supply if production was not recontrolled earlier. On the other hand, the petroleum-exporting countries had a total debt of more than $200 billion. Even those petroleum-exporting countries without a large external debt would have to resort to the financial resources that they had deposited in the international banking system in order to maintain their development process. The implications of a sustained lowering of the oil prices for the solvency of the international financial system must be considered. He also referred to the consequences for investments made in alternative sources of energy and in expensive sorts of petroleum.

235. Joint responsibility should be the conceptual base for a definitive solution of the debt problem. It would not be possible for the debtor countries alone to continue to carry the total burden. The so-called Baker plan constituted a positive but insufficient step by recognizing that. He quoted the Montevideo Declaration of the Cartagena Group[12] regarding the principle of joint responsibility in the solution of the debt problem, and the necessity for the debtor countries to grow through the re-establishment of financial flows to them, in that the external debt problem was not limited to a necessity for cash flows, since the volume of expected resources would not reach a magnitude which would allow the debtor countries to fulfil their commitments to the creditors and, at the same time, ensure their sustained growth.

236. The international community should approach the problems of the developing countries with honesty. The weak could not continue to adjust themselves and subsidize the strong, so that the latter continued to benefit. On the other hand, to the extent that the current explosive long-term tendencies grew and became consolidated, their correction by one single country or a limited number of countries became more and more impossible. Fortunately, it was beginning to be recognized that the international community as a whole would be required to disarm the time bomb on top of which all were sitting. That would have to lead to a real multilateral negotiation. Therefore, it was necessary to preserve the credibility of negotiating forums such as UNCTAD, as well as others, like GATT and IMF, which had lately damaged their good reputations by adopting biased positions. Such forums could not escape the campaign of discredit waged by some circles against the philosophy of multilateral negotiations.

237. The current Board session marked the start of the preparatory process for the seventh session of the Conference. In that sense, the ideas put forward by the Secretary-General constituted the required parameters of any exchange of ideas on the agenda and the objectives of the Conference. In that process a certain degree of flexibility must be maintained as the rapid dynamics of the world economic situation could force an adjustment of approach. Venezuela, like other developing countries, was awaiting concrete decisions at the seventh session which would have to be implemented in UNCTAD or in other forums. Referring to the implementation of decisions and concrete agreements in the past, he supported the proposal by the delegation of Yugoslavia that the Secretary-General should convene an early meeting of the countries that had ratified the Agreement Establishing the Common Fund[13] in order to accelerate its entry into operation.

238. The representative of *Bangladesh* stated that the economic recovery, which had started in the Western industrialized countries in 1983, had survived with no apparent signs of inflationary pressures, although its uneven and unbalanced character had been evident in key international markets. The pattern of recovery had been characterized by serious imbalances with regard to financial flows to developing countries and the failure of commodity markets. There had been a sharp decline in all types of financial flows to the developing countries. Commodity prices had plunged and certain items of critical importance to developing countries, particularly the least developed, had registered significant decreases. Interest rates continued to remain extremely high in real terms and, despite the decline in the dollar exchange rate, there were no visible signs of improvement in the

[12] See A/41/254, annex.

[13] See footnote 6.

international trading and financial systems, particularly as they affected the developing countries.

239. The benefits of economic recovery in the United States and other industrialized countries had, by and large, bypassed the developing countries. A large number of the latter, particularly the least developed, had failed to register any appreciable increase in their export earnings—largely because of the weaknesses of the commodity markets, stemming from slow growth and, in some cases, negative growth of demand in the major developed countries. The continuing debt-servicing difficulties of a number of developing countries had forced them to undertake massive cuts in imports and drastic retrenchment measures affecting their development prospects. Although there had been encouraging signs, including the Baker plan, no long-term solution appeared in sight, in view of the magnitude of the problem and the need for massive transfer of resources in all forms. Unless urgent and concrete measures were adopted for reactivating growth in those countries and improving their capability to service external debts without impairing their development prospects, new and more complicated problems might emerge on the international economic scene. The adjustment being made by the debt-ridden developing countries in their trade balances in response to the worsening external environment had already resulted in the transmission of deflationary impulses to developed market-economy countries. The upsurge and proliferation of protectionist measures in the industrialized countries were increasingly becoming a major obstacle to the revival of production and growth in the developing countries, including the least developed. In Bangladesh, despite prudent and effective adjustment and debt management policies, debt service payments had increased sharply and, unless appropriate measures were taken to improve access to export markets and to provide debt relief measures, debt service liabilities were likely to rise to an unsustainable level.

240. At the previous session of the Board, the international community had agreed that only co-ordinated action in the field of trade, money and finance could make an effective contribution towards improving the international economy and that no strategy on individual issues like debt could be viable in the long run except within the context of growth and development. It was also agreed that there was a need for co-ordinated shifts in monetary and fiscal policies by major industrialized countries to bring about a sustained and strengthened process of growth. Although developing countries should continue to intensify their efforts through domestic policies to reactivate growth, international action was also essential in that regard—particularly from the developed countries through a series of measures such as achievement of the ODA targets, increased official and private flows, reduction of interest rates and improved exchange rate alignment, as well as through further opening of markets to exports from developing countries and through contributions towards strengthening of commodity markets. The member States had also agreed to contribute to the strengthening and improvement of the international trading system. Those agreements should form a basis for co-ordinated action at the global level.

241. He noted that the international community had been able to agree on a text for a United Nations Convention on Conditions for Registration of Ships, and added that further action in that area should facilitate an orderly development of shipping, particularly to the benefit of the developing countries.

242. Bangladesh, as a least developed country faced with formidable structural problems, had a special interest in the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries adopted at the United Nations Conference on the Least Developed Countries, held in Paris in 1981. The mid-term global review of progress in the implementation of the Programme, held in 1985, had produced some tangible results and had identified measures to be undertaken during the remainder of the decade for full and effective implementation of the Programme. Since 1981 the implementation of the Programme had been very slow and the economic situation in many of the least developed countries had worsened considerably. The devastating drought and famine in sub-Saharan Africa had further exacerbated the critical situation in that region. The mid-term review had appropriately emphasized the need for substantial enhancement of international support measures for full and effective implementation of the Programme for the least developed countries including the sub-Saharan countries.

243. Bangladesh appreciated the steps taken by some of the industrialized countries to alleviate the problems related to ODA debt and shrinkage of financial flows, such as the extension of Stabex facilities by the EEC to all the least developed countries and cancellation of all ODA debt by the Netherlands. He appealed to others to redouble their efforts to reach the targets fixed in the Programme of Action. The seventh session of the Conference should provide an opportunity to have another detailed review of progress of the implementation of the Programme of Action.

244. He also stated that the subject of protectionism and structural adjustment had assumed critical importance in view of an unprecedented upsurge in protectionist measures in many developed market-economy countries. The proliferation of restrictive measures aimed at exports from the developing countries, including the least developed countries, was increasingly posing a threat to the international trading environment and to growth and development prospects in the developing countries. Those measures ran counter to the provisions of Conference resolutions 131 (V) and 159 (VI).

245. He stated that the following courses of action would contribute towards a lasting solution to the lingering world economic crisis: (*a*) the reiteration by the world community of its firm commitment to the reactivation of growth and development, through concerted and co-ordinated action in the interrelated fields of commodities, trade, money and finance and development; (*b*) concerted and co-ordinated action to alleviate the debt problems of the developing countries through, *inter alia*, reduction of interest rates, full or partial cancellation of ODA debts, multi-year rescheduling of all other types of loans, setting up of an international subsidy facility, increasing official and private capital flows and improving exchange rate alignment; (*c*) the international commu-

nity achieving the targets of ODA fixed in the International Development Strategy for the Third United Nations Development Decade (General Assembly resolution 35/56, annex, of 5 December 1980), and significantly increasing their contribution to multilateral lending agencies and development finance institutions meant for the developing countries, particularly through enlargement in real terms of the Eighth Replenishment of IDA and agreeing on an immediate and substantial allocation of special drawing rights by IMF and improving the access of developing countries to those resources; (*d*) the developed countries undertaking firm commitments on standstill and roll-back, aimed at complete elimination or reduction of all types of trade barriers facing the developing countries; (*e*) the developed countries working out specific programmes in favour of structural adjustment in sectors in which they had adopted protectionist measures; (*f*) the developed countries ensuring that the preference schemes in favour of the developing countries were stable, predictable and had wider coverage both in the agricultural and industrial sectors; (*g*) stabilizing and strengthening international commodity markets and improving the terms of trade of the developing countries; (*h*) action taken to bring the Common Fund for Commodities into operation; (*i*) effective steps taken for the establishment of a complementary facility to compensate the commodity-related export earnings shortfalls of the developing countries, with special provisions for least developed countries; (*j*) the international community adopting a programme for increasing the share of the developing countries in the processing, marketing, transportation and distribution of commodities through co-ordinated and concerted programmes; (*k*) efforts being intensified for the implementation of all the commitments undertaken in the Substantial New Programme of Action for the 1980s for the Least Developed Countries, to fully attain the targets set in different sectors; (*l*) the international community, particularly the developed countries, intensifying their efforts to reach an early agreement on an international code of conduct on transfer of technology to accelerate the industrial development of the developing countries; (*m*) increased support by the developed countries and international organizations of the United Nations system for ECDC programmes.

246. The representative of the *German Democratic Republic*, supporting the Group D statement, noted that the massive external indebtedness of the developing countries had reached such an extent that their development process was actually blocked and international economic relations were seriously disturbed. Under the existing conditions those countries would not be able to repay their debts. Further destabilization of the international financial system could be envisaged in which the United States dollar played a special role. The problems were aggravated by high interest rates, fluctuations of exchange rates, the outflow of huge resources from developing countries and the increasing instability of commodity prices and markets. Mounting protectionism made it increasingly difficult to overcome the critical monetary and financial problems, which concerned not only the exports of the developing countries but also, to a large extent, the exports of socialist countries. Moreover, politically motivated restrictions disorganized economic relations and undermined confidence between States.

247. The current dimensions of the problems of the world economy required a new approach to their solution. There was an ever increasing interdependence between world-wide political and economic developments. The maintenance of world peace through disarmament had become the basic condition for solving all contemporary global problems, the solution of which required considerable resources and finance, which could be secured by ending the arms race and initiating disarmament. It was very informative to compare the extent of current arms expenditure with the alarming dimension of the financial problems in the developing countries. By analysing that interrelationship and by promoting the understanding of adverse effects of that development, a substantive contribution would be made by UNCTAD to the International Year of Peace.

248. A new approach to the solution of international economic problems required a new quality of co-operation of all States on a global scale. It was now necessary to put into practice what had been agreed upon on paper in the Programme of Action on the Establishment of a New International Economic Order, adopted by the General Assembly in its resolution 3202 (S-VI) of 1 May 1974; in view of the complicated world economic situation the establishment of a new international economic order was becoming ever more important. In the Declaration adopted at its Top-Level Economic Conference in June 1984,[14] the CMEA member countries had proposed a Programme of Action for the normalization of international economic relations and the safeguarding of economic security of all States. His Government fully supported that Declaration.

249. For the German Democratic Republic the beginning of 1986 had also meant the beginning of a new five-year-plan which would continue the dynamic development of the past plan periods. An intensive and steadily growing foreign trade would remain a characteristic feature of the national economy of his country. It was becoming more and more important to utilize the advantages of the international division of labour for continuing the successful policy of economic growth.

250. His Government supported the efforts made by the developing countries to overcome the consequences of their colonial past. The efforts to bring about a democratic restructuring of the international economic relations and to develop economic, scientific and technical co-operation with the developing countries had always been closely interrelated in his country's view. In establishing and developing its trade and economic relations with the developing countries, the German Democratic Republic was guided by the recognized principles of international law, taking into account the requirements resulting from structural changes in accordance with the possibilities of the relevant parties concerned.

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[14] See *The Strength of Friendship and Co-operation: Documents and Materials of the Top-level Economic Conference of the CMEA member countries, Moscow, 12-14 June 1984* (Moscow, Novosti Press Agency Publishing House, 1984), circulated to the members of the Board under cover of TD/B/1019.

251. Bilateral and multilateral scientific and technical co-operation was becoming ever more important and created challenges for all countries. UNCTAD would have to respond to those challenges to an increasing extent and, as it did so, a contribution would also be made to mitigating the existing technological dependence of the developing countries and to strengthening their economic independence.

252. His country, in conformity with the stipulations of the Charter of Economic Rights and Duties of States (General Assembly resolution 3281 (XXIX)), stood for respect of the sovereign right of peoples and States freely to choose their economic and social system. That also applied to the planning and management system for the national economy, including foreign trade. It was a gross interference in the internal affairs of the developing countries and a violation of United Nations decisions when countries exerted economic and political pressure on the developing countries in order to ensure that they subordinated themselves to the so-called free play of market forces. The situation was similar when economic assistance was made dependent upon the establishment of private capitalist modes of production. The CMEA member countries in their Declaration of June 1984 had reaffirmed that they were ready to co-operate with all countries on the basis of democratic and equal relations.

253. The economic relations between East and West formed an indispensable part of world trade, being an important factor of peaceful coexistence between States with different social systems. According to its mandate, UNCTAD should pay increased attention to that factor and the effects on other trade flows resulting from it. The possibilities of East-West co-operation were far from exhausted. Acceptance of the principles of non-discrimination and of granting MFN status would open new scope for action. Despite the embargo measures imposed on the German Democratic Republic and other socialist States, it continued its policy of expanding its trade relations with those partners that were ready to do so.

254. His Government advocated the further strengthening of the role of the United Nations and, in particular, of UNCTAD in connection with the comprehensive discussion of international trade, monetary and financial matters. All States were called upon to make their contribution to the implementation of General Assembly resolution 40/178, entitled "Strengthening the role of the United Nations in the field of international economic, scientific-technological and social co-operation", in order to overcome the standstill in the negotiations within the framework of the United Nations, and to promote constructive dialogue and joint efforts towards the settlement of all global economic problems. The potentialities of UNCTAD in that process had not been used to the full extent.

255. In close connection with the preparations for the seventh session of the Conference, the German Democratic Republic noted the active contribution of the organization towards elaborating a concept for international economic security according to General Assembly resolution 40/173. That would give fresh impetus to the endeavour to formulate and adopt a programme of confidence-building measures in international economic relations.

256. He stated that the promotion of trade, as well as of economic, scientific and technical co-operation, in order to normalize international relations would place valuable emphasis on the elaboration of the leitmotif of the seventh session of the Conference in the interest of all States.

257. The representative of the *Byelorussian Soviet Socialist Republic* expressed concern about the state of affairs in the monetary, financial and trade spheres. The real situation was in stark contrast with the aims expressed in relevant United Nations documents. Trade barriers were being raised mainly against socialist and developing countries, while the financial and monetary dependence of the latter *vis-à-vis* the Western banks and TNCs was also increasing. All that took place against a background of political pressures, including interference in internal affairs, and the arms race. Ways out should be found on the basis of resolving the main questions of international political, military and economic security. In that respect he referred to Conference resolution 44 (III) on trade and economic aspects of disarmament and General Assembly resolution 40/3 on the International Year of Peace. Peace was precious to the Byelorussian SSR, which had lost one in four of its inhabitants during the Second World War. He also stressed the importance of the peace and disarmament proposals made in the USSR statement of 15 January 1986 and during the XXVII Congress of the Communist Party of the Soviet Union, held in February/March 1986. He referred in particular to the Soviet proposals concerning the use of reductions in military budgets and their devotion to development purposes. Special attention should also be paid to the idea of an international conference on the problems of economic security.

258. He cited estimations of the yearly outflow of resources from the developing countries, amounting to $220-240 billion and stressed the negative impact of the debt overhang on prospects of development.

259. He observed that UNCTAD ought to participate in the International Conference on the Relationship between Disarmament and Development, and the Secretary-General should report thereon during the next session of the Board and propose measures for the activities of UNCTAD on that matter.

260. He again raised the question of the nuclear threat, stressing the necessity to outlaw nuclear weapons and other means of mass extermination.

261. The representative of *Turkey* stated that the Secretary-General's views expressed at the beginning of the session on the multi-faceted development problems currently confronting all economies irrespective of their development levels deserved very serious consideration. Several speakers had also noted that the development process had suffered setbacks in almost all developing countries. Even with the modest recovery of growth in 1984 and 1985, per capita incomes in many developing countries were still far below the pre-crisis levels. With regard to the heavily indebted countries, their export earnings were drained off into greatly increased debt-

service payments. The problems of low income countries were deepening.

262. In the industrialized countries, structural rigidities, unemployment and continued protectionism, together with the productivity questions, seemed to be the underlying factors influencing their slower growth rates. Domestic investment had been declining both in developed and developing countries over the past years.

263. He pointed out that the problem of development required long and sustained efforts at the domestic and international levels. By accepting a growth- and development-based consensus, all parties had to feel the need that they had a role to play in determining their own future. Attention should be given to the identification of major constraints at the domestic and international levels, to the reactivation of growth and development, and to the need to take interrelated action in the fields of debt, finance, trade and commodities.

264. He noted that he was encouraged by the rather concerted approach to financial and monetary problems on the part of the major industrialized countries. It was also fair to say that the recent debt initiative represented, in its main thrust, the recognition of the need to move from *ad hoc* arrangements to medium-term programmes placing the emphasis on growth-oriented policies. Its implementation, of course, would require co-operative efforts on all sides. The recent currency alignments and action on the interest rates seemed to constitute complementary steps aimed at dealing with the manifest disarray and endemic weaknesses in the financial system.

265. Turkey was one of the developing countries which had been more successful in managing the crisis. In line with the policy of integration with the world economy, the restrictions on imports had to a large extent been removed to achieve the rational use of domestic resources. Although export growth was essential for the success of such an outward-oriented policy, unfortunately, Turkey's efforts in promoting exports had been met by increasingly severe restrictions in some of the developed countries. Restrictions had been imposed on imports originating from Turkey, including textiles, steel and processed foodstuffs.

266. He emphasized that one of the key challenges facing the international community was the restoration of an open trading system on the basis of comparative advantages. In that context he said that developed market-economy countries resorting to rising protectionism should instead open up their markets in order to achieve structural adjustment and changes in their production patterns. He also stressed that, if the proposed new round was to be successful, it should offer mutual benefits to all participants, particularly the developing countries.

267. He noted that the dramatic collapse of commodity prices over the past years had seriously weakened the narrowly based economies of most developing countries. UNCTAD had always been the focal point for international co-operation in commodities but it was widely felt that the results achieved under the Integrated Programme for Commodities had fallen short of expectations.

268. In his view, genuine international co-operation to rescue the commodity economy should form an integral part of strategies to promote adjustment to growth. That could comprise a number of initiatives in the areas of trade liberalization, export earnings stabilization, co-operation in development measures and finance for structural adjustment. In that regard, he would welcome a further role to be played by UNCTAD in making a critical assessment of the current commodities situation and identify practical actions for immediate and long-term solutions.

269. He pointed out that the current session of the Board took on a wider significance particularly because of preparations for the seventh session of the Conference. In that respect, he continued to value the critical role of UNCTAD as an institution particularly directed to development and trade issues within the context of increasing partnership and mutual dependence. He believed that the seventh session of the Conference would provide a timely opportunity for a new commitment to multilateral economic co-operation for revitalizing growth and development. It was also very relevant to the contribution of UNCTAD in the period ahead. It had to continue to make its contributions not only in the area of deliberations but also in the area of negotiations and processes with a view to contributing to the establishment of an international economic environment conducive to bringing both growth and dynamism to the world economy. In that connection the Conference should operate in a conceptual framework that would permit countries, both developed and developing, to understand that global development would serve their national interests.

270. The agenda should be selective in a balanced fashion in order to enable the Conference to concentrate on major issues such as debt and finance commodities, trade and particularly problems of the least developed countries. In that regard, the introductory remarks made by the Secretary-General of UNCTAD on that issue would provide a useful point of departure to that end.

271. The representative of *Czechoslovakia* associated himself with the statement of Group D on items 3 and 4 and referred to the *Trade and Development Report, 1985*,[15] which pointed out the uneven character of the recovery, which had been insufficient to overcome the deepest post-war economic crisis of 1980-1982. The developing countries had suffered most of all and the *report* envisaged the possibility of an uncontrollable crisis of debt and development. Commodity prices remained low while the prices of imported manufactures tended to rise. Hard currency reserves were critically low and overall production stagnated while its distribution was uneven. A considerable outflow of capital from developing to market-economy countries was continuing. The spread of recovery to the developing countries was much less than the impact the preceding crisis had had on them. Those difficulties hampered the prospects for development.

272. The world trade system was characterized by increasing protectionism and discrimination frequently applied for non-economic reasons. Protectionism could

[15] See footnote 1.

be overcome owing to structural adjustment, which in turn needed an appropriate favourable political and economic climate. He condemned all manifestations of economic blackmail. UNCTAD should contribute to the implementation of General Assembly resolution 39/210 concerning the exclusion of economic measures as a means of political pressure on the developing countries. It was not possible to solve the problems of economic development without progressive changes in the system of international relations of the world capitalist economy on the basis of the principles of the Charter of Economic Rights and Duties of States and the Declaration on the Establishment of a New International Economic Order.

273. He noted that the *Trade and Development Report, 1985* did not touch on the question of the negative impact of activities of the TNCs and of the arms race, which diverted huge resources from the cause of development. In that respect he referred to the memorandum of the Soviet Government which drew the attention of other United Nations members to the acute problem of economic security. He also stressed the importance of UNCTAD's participation in the International Conference on the Relationship between Disarmament and Development, scheduled to be held in July/August 1986, and supported the Soviet proposal to include the question of trade and economic aspects of disarmament in the agenda of the thirty-third session of the Board.

274. He drew attention to the question of debt, especially in Latin America where it had changed from an economic problem to a social and political one. Some Latin American Governments found themselves unable to control their national currencies' devaluations and inflation. Debt was not only a Latin American phenomenon. It was an acute problem in African countries where the debt service consumed a great part of financial resources. The credits extended by IMF and the World Bank were expensive and increased the political dependence of those countries. Direct aid could only ease the situation but not resolve it. Only restructuring of international economic relations on an equitable and fair basis could bring fundamental changes. The unfavourable debt service ratios of a majority of debtors explained why none of the developing countries had accepted the conditions provided for under the Baker plan. In comparison the Cartagena Group had demanded improvement in the terms of external financing.

275. The representative of *Bulgaria* said that her country was highly dependent on foreign trade and therefore keenly interested in the identification of all problems under agenda item 3 and in the formulation of actions needed to resolve them. She fully associated herself with the comprehensive analysis of the issue of interdependence in the statement of the Group D countries.

276. She considered some of the unresolved problems which still hampered development to be: the alarming levels of unemployment and declining growth rates in OECD countries, high real interest rates, excessive exchange rate fluctuations, protectionist and discriminatory measures applied by some developed market-economy countries, *inter alia*, for non-economic reasons, the significant decline in the expansion of world trade and a deteriorating economic situation in many parts of the developing world.

277. Most of the economies of the developing world were forced to cut badly needed imports and curtail development programmes because of the unbearable debt burden. They had become net exporters of capital and that was so not only as a result of debt servicing but also as a result of the uncontrolled activities of the TNCs and other factors. The collapse of commodity prices had further aggravated the economic problems of developing countries. The existing world economic order was unable to solve the current problems in the interest of all countries and, in particular, of the developing countries.

278. The reason why her delegation had repeatedly stressed the importance of the relationship between disarmament and development was that the huge financial, material, technological and human resources that could be released as a result of the reduction of arms expenditures could be effectively used to accelerate socio-economic progress and development. She requested that increased attention be paid in UNCTAD to the economic and trade aspects of disarmament. She was hopeful that at the Board's next session and the seventh session of the Conference UNCTAD's contribution to the follow-up of the forthcoming International Conference on the Relationship between Disarmament and Development could be decided.

279. The state of world economic affairs had, in recent years, led to an erosion of confidence at multilateral and bilateral levels. Concrete action was needed aimed at strengthening mutual confidence and ensuring economic security for all countries and a strict adherence to basic principles such as respect of national sovereignty, non-interference in internal affairs, equality of States and non-discrimination.

280. What was needed today was a practical movement forward towards the restructuring of international economic relations on a just, equitable and democratic basis. To that end and as a first step, it was necessary to achieve full implementation of all the relevant General Assembly and UNCTAD recommendations. The documents of the CMEA adopted at top level meetings in 1984 provided valuable guidelines in that respect. Her delegation attached major importance to the work of UNCTAD on protectionism and structural adjustment and hoped that the CMEA would make an appropriate contribution and that the standstill and roll-back provisions of Conference resolution 159 (VI) would be implemented. The principles of unconditional MFN and non-discrimination should be fully observed.

281. She expressed her hope that the new round of MTN would positively contribute to the liberalization of international trade, and would be open for participation to all interested countries.

282. Due attention should be given to the trade relations among countries with different socio-economic systems. She believed that the next Board session and the seventh session of the Conference could produce meaningful results on that topic.

283. Bulgaria had consistently emphasized its willingness to promote further its trade and economic relations with all countries, irrespective of their socio-economic system or level of development. The new Five-Year Plan opened up broad opportunities for expan-

sion of trade and economic co-operation with all countries—socialist, developing and developed market-economy countries. In the next five years Bulgaria would accelerate its growth and, by the end of the century, it was envisaged that its national income would double.

284. She pledged Bulgaria's support for all positive initiatives at the current session that could assist in creating favourable conditions for international co-operation and socio-economic advancement and preparing for the seventh session of the Conference.

285. The representative of *Indonesia* fully endorsed the statement of the Group of 77. He noted with concern that the impact of the current crisis had been particularly devastating for the developing countries, as witness the collapse of commodity prices, loss in export earnings, mounting debt burdens and the increasing difficulties in servicing them, shrinking financial resources, growing protectionism, balance-of-payments problems reaching intolerable proportions and a cutting back of development.

286. The growing economic interdependence and the integrated nature of the global economy called for the adoption of cohesive policies and joint and co-ordinated solutions to overcome the current crisis. However, it was disquieting to note that the remedial measures and policies adopted by industrial countries had contractionary effects. There had been few signs of any actions on the part of the industrial world in solving the commodity crisis, tackling the debt problems or removing trade barriers to enable the developing countries to earn more in order to service their debts in a climate of growth.

287. The mounting protectionism, intensification of trade barriers, and the increasing resort to bilateralism were impeding, in particular, the exports of developing countries. His delegation hoped that progress could be made in implementing the concept of standstill and roll-back on protectionist measures and dismantling the measures and other non-tariff barriers to trade which were not consistent with rules of the General Agreement.

288. The inability of the monetary and financing system to cope effectively with balance-of-payments difficulties had further nullified the development efforts of the developing countries. A set of immediate and mutually supportive measures was required to increase the availability of liquidity and financing to developing countries, particularly that of ODA, with a view to simultaneously overcoming balance-of-payments difficulties and keeping up the momentum of development in the developing countries.

289. For many developing countries, the crisis had implied the most severe adjustment process and had produced a disruption of their development. But as the debt problem had also placed severe strains on the international financial and trading systems and had increased unemployment in industrialized countries, it was of concern to the international community as a whole and required an international strategy on debt, growth and development. He expressed the hope that, when the Second Committee of the General Assembly reconvened in May 1986, agreement could be achieved on convening an international conference on money, finance and the related problem of the external debt crisis.

290. Referring to the UNCTAD commodity survey for 1980-1985,[16] he observed that the immediate future outlook for trade in primary commodities was not bright. For Indonesia, as for many developing countries, commodity trade was still an important source of economic activity and export earnings, particularly in the case of the least developed countries where commodity exports accounted for more than 90 per cent of export earnings. The bleak future for commodities was a major obstacle to development. In that connection, he urged all countries to pay special attention to speeding up the operation of the Common Fund and to undertake measures designed to promote effective international co-operation in accelerating efforts for the implementation of the Integrated Programme for Commodities and in concluding commodity agreements on the commodities which were currently subject to negotiation.

291. Regarding the seventh session of the Conference, his delegation agreed that it should focus attention on a limited number of issues considered of high priority such as debt, finance, commodities and trade policy, and that the results should include concrete decisions for action-oriented measures in keeping with the priorities identified.

292. He emphasized the need for urgent international steps to alleviate the problems of the least developed countries and noted with regret that some parts of the Substantial New Programme of Action still remained to be effectively implemented. He urged all Governments, intergovernmental and multilateral institutions and all others concerned to take immediate, concrete and adequate steps to fulfil their commitments.

293. The strategy for coping with the problems of the international monetary, financial and trading systems should include commitments to revitalize international trade, to overcome debt problems and to restore growth and development.

294. The representative of *Romania* said his delegation had paid particular attention to the assessment by the Secretary-General of UNCTAD of the world economic situation, the problems arising in the development process and the resulting tension and the role UNCTAD could play in multilateral economic mechanisms. It had been encouraged by his pragmatic and realistic approach. His delegation fully supported the statement by the spokesman for the Group of 77. Romania, too, was preoccupied by the state of the world economy, in spite of the recovery which had occurred in some developed countries. That recovery was inequitably shared and adjustments, if any, occurred only between developed countries, having little impact on developing countries. Instability and crisis still existed and the most affected were the developing countries, where growth and investment rates had been reduced. Inflation remained high, debt-related problems were increasing, and the international trade and payments systems were under pressure. Protectionism had increased and the export capabilities

[16] TD/B/C.1/274 and Corr.1.

of developing countries had thus been considerably reduced. The return to normal interest rate levels had been delayed and the whole development process was in jeopardy.

295. Such a situation led his delegation to emphasize once more the increasing interdependence between sectors of the world economy and between countries. A climate of co-operation and real dialogue was necessary if a solution was to be found. All pressures were linked, and all countries were affected. There was a growing awareness of that situation at the international level, and he hoped that his delegation's awareness would be increasingly shared in the framework of multilateral economic negotiations and not limited to a small group of countries. The seventh session of the Conference could be an opportunity to ensure that.

296. Interdependence necessarily implied concrete measures and actions at the sectoral level or for the most serious problems of developing countries. Regarding international trade, for instance, his delegation considered it absolutely necessary to resist protectionist pressures and trade discrimination. In that regard developed countries had not fulfilled the obligations which they had undertaken at the sixth session of the Conference and at the Ministerial Meeting of GATT; on the contrary, such barriers had become more sophisticated. UNCTAD itself and the seventh session of the Conference, together with a new round of MTN, could make a considerable contribution in that area if appropriate measures were taken. Parallel efforts should be made to reform the international monetary system, which might begin by the convening of an international monetary conference.

297. On debt, he stated that that problem could be solved only through a global solution, and that the following elements could be taken into account: (*a*) a debt write-off for least developed countries; (*b*) an important debt reduction for the other developing countries, taking into consideration the excessive interest rates which have been charged; (*c*) a general debt rescheduling over a long period, with reduced or no interest rates and a grace period of three to five years; (*d*) limitation of debt service payments to 10 to 15 per cent of the export revenues of debtor countries.

298. As to the seventh session of the Conference, his delegation appreciated the preliminary elements presented by the Secretary-General of UNCTAD and awaited his suggestions as to the agenda. The seventh session of the Conference must create an opportunity to restore confidence in the value of multilateralism and consolidate the role of UNCTAD as a multilateral institution. To that end, along with issues related to long-term restructuring, the seventh session of the Conference must deal with short-term measures to halt the worsening of the developing countries' situation and to contribute to the solution of the difficult problems facing those countries. The Conference must focus on specific, well-defined issues which would enable the negotiations to end with concrete results.

299. The representative of *Mongolia* shared the view of the Secretary-General of UNCTAD that the world economy was confronting many acute problems evidenced by unprecedented unemployment, high interest rates, exchange rate misalignments and growing protectionism, which spelled prospects of disorder.

300. Many developing countries were experiencing grave difficulties. Referring to the African crisis, he noted that the situation was exacerbated by worsening commodity trends, significant foreign debts, tougher credit terms, and accelerating outflows from developing countries in the face of cutbacks in external financing. He was convinced that a restructuring of international economic relations was vital to the solution of problems of trade and development. It was widely acknowledged by previous speakers that no real progress had been made thus far in the implementation of important United Nations resolutions such as the Charter of Economic Rights and Duties of States and the Declaration on the Establishment of a New International Economic Order. He said that improved international economic relations were conditional on assuring global economic security and confidence. To that end, the General Assembly had responded to the initiatives of socialist countries in adopting resolutions 40/173, 39/226 and 38/196. He urged UNCTAD actively to pursue the implementation of those resolutions.

301. He identified disarmament as a fundamental prerequisite for the creation of a favourable international climate crucial for the solution of many global problems, including that of restructuring international economic relations. He observed that the timing of the current session of the Board coincided with the International Year of Peace and recalled that the General Assembly, in its proclamation of 1986 as the Year of Peace, had urged the co-operation of all member States and the entire United Nations system in achieving the objectives of the International Year of Peace. In that connection he drew attention to a recent statement of Mr. Gorbachev which outlined a concrete programme for ridding mankind of the fear of a nuclear catastrophe by the end of the century.

302. Turning to the forthcoming International Conference on the Relationship between Disarmament and Development, he recalled that the General Assembly, in its resolution 40/155, had requested the United Nations system to contribute fully to the preparatory work for the Conference, particularly in the area of documentation, and had urged UNCTAD to engage actively in the preparatory work of that important international event.

303. Speaking on the seventh session of the Conference, he viewed that session as a significant event in international co-operation. The preparatory work was of the utmost importance and should commence at the current session of the Board.

304. The representative of the *United Republic of Tanzania* stated that the convening of a special session of the General Assembly to consider the critical situation in Africa indicated the international community's recognition of the heavy price that was being paid for underdevelopment having to coexist with the dynamics of international communications, trade and exchange propelled by an overwhelming combination of capital and technology. The World Bank itself had now conceded that hunger, malnutrition and disease were a func-

tion of or state of development having to interact with an increasingly intrusive global environment.

305. He noted that, in October 1985, the IMF Interim Committee in a statement had urged the achievement and maintenance of an appropriate structure of relative prices, the promotion of investment and domestic savings, and a vigorous attack on inflation.[17] Promotion of investment and domestic saving implied, among other things, that relative prices yielded surpluses representing productivity as well as production. So, a structure of relative prices could be appropriate only if it helped to yield those surpluses. The specifically formulated strictures of the Interim Committee raised several questions, all of which needed to be translated into real, tangible phenomena. One which came into sharp focus was commodity prices relative to those of capital goods and manufactures and relative to the cost of invisibles.

306. In reference to the preliminary ideas of the Secretary-General of UNCTAD on the agenda for the seventh session of the Conference, he expressed the hope that it would be possible to reach agreement on what he had meant by a horizontal or cross-sectoral approach on the one hand and a vertical or sectoral approach on the other.

307. He added that it was futile to speak of trade without being concerned with money, and it was less than productive to speak of trade and money without speaking of finance. Those three areas directly affected the whole process and course of development. Consequently, development issues should be dealt with at the same time as concerns with trade, money and finance. He wondered whether that was the cross-sectoral approach.

308. He stated that, for global structural adjustment to be of value in the context of trade and development, international institutions such as IMF and UNCTAD should not resist changes. He added that cost-effective management of UNCTAD's operations was a timely and worthy objective. However, there were many societies which did not have access to equipment and technologies which facilitated efficiency in the modern world. That could only be provided by a pervading industrial environment. Development should, therefore, remain an overriding objective of UNCTAD.

309. The representative of the *International Monetary Fund* pointed out that the industrial countries seemed to have entered a period of more moderate but sustainable growth; the rate of real GDP growth in the industrial countries had slowed sharply in 1985 to 2.7 per cent, from a rate of 4.7 per cent recorded in 1984. Price increases had continued to moderate and the GNP deflator for industrial countries had fallen to 3.8 per cent in 1985, the lowest inflation rate since 1967.

310. Conditions were expected to improve in 1986. The average growth in the industrial countries was projected to be about 3 per cent. Price performance and real income developments in the industrial countries were expected to be favourably influenced by the recent marked decline in oil prices.

311. Contributing to that improvement and more balanced performance were the prospects for a tighter fiscal policy stance in North America, a somewhat easier fiscal policy in Europe, and some decline in interest rates in most countries. A better realignment of currencies following the September 1985 initiative of the Group of Five major industrialized countries had been a major factor underpinning confidence in the outlook.

312. The oil price decline was likely to have a substantial net beneficial impact in the industrial countries. However, there were uncertainties, including the extent and timing of the budget deficit reduction in the United States; the large remaining external payments imbalances in the United States, Japan, and the Federal Republic of Germany; the high level of unemployment rates in Europe; and the continuation of strong protectionist sentiment.

313. The performance of developing countries in 1985 was disappointing. Economic growth had decelerated, inflation remained high and external creditworthiness showed few signs of improving. Economic activity, however, had been much better sustained among the non-fuel-exporting countries than among those countries that were basically dependent on oil exports. With the adverse global conditions prevailing in 1985, developing countries, export earnings had fallen by 3.5 per cent after a healthy growth of 7 per cent in 1984. Imports, which had begun to grow in 1984, after two years of consecutive decline, had fallen once again, albeit slightly. Those countries' capital accounts remained weak, having been adversely affected by reduced lending from commercial banks and the persistence of capital flight, although on a much more reduced scale than in the early 1980s.

314. With regard to the problems of the indebted countries, he said that the debt-servicing difficulties that came to a head in 1982 had been handled with a considerable degree of success by strong measures and cooperative efforts of debtor countries, creditor institutions (and their respective monetary authorities), and the Fund. For many heavily indebted countries, however, especially in Africa and Latin America, the adjustment that had occurred had yet to yield a favourable growth performance.

315. The disappointing growth performance of a number of developing countries had been due not only to the relative weaknesses of the recovery in the industrial world, but also to the fact that many indebted countries had given insufficient emphasis to the adjustments needed to stimulate the growth of domestic productive capacity. Despite the general objective of reducing the ratio of debt to exports, additional external financing would be necessary in many instances to stimulate investment in new export-oriented capacity.

316. Growth had thus been placed at the centre of the newly revitalized strategy as set out in the Baker initiative to deal with the problems of the heavily indebted countries. To achieve that, policies had to be designated to encourage exports, savings and private investment. Appropriate exchange rates, interest rates and key sector prices were essential in that regard.

317. To spur faster private investment, it was critical that the private sector's access to credit in the in-

[17] IMF, *Annual Report 1986*, appendix IV, p. 107.

debted countries was not impeded by excessive claims of government deficits on savings. Moreover, trade liberalization in those countries could be a powerful stimulant to bring about efficiency and modernization. A more open policy towards foreign direct investment would also be very helpful because direct investment was non-debt creating and could bring new technology and innovations into the recipient countries. Measures to maintain financial stability obviously were of paramount importance in that context if adequate conditions were to be created for achieving sustained growth and for bringing about the return of domestic capital held abroad to sustain investment.

318. The industrial countries should improve the global economic environment by contributing to durable non-inflationary growth in world demand, pursuing policies that were consistent with a lowering over time of international interest rates, keeping their markets open, and facilitating a resumption of financial flows to the indebted countries. Towards those ends, structural budget deficits and excessive public spending would need to be reduced. The battle against structural rigidities needed to be carried on. Support for the new round of trade negotiations in GATT was in everyone's interest.

319. To facilitate financial flows to indebted countries, the export credit cover policies of industrial countries should be improved to support rapidly the adjustment efforts of developing countries. The valuable contributions already made by the Paris Club to rescheduling should continue. A substantial rise in new lending by the commercial banks and an improvement in terms was also essential. The composition of bank lending must continue to evolve towards more trade and project lending.

320. IMF would continue to play an important role in the formulation and implementation of the reinforced strategy combining durable growth with adjustment. In the period since mid-1982, the Fund had provided $31 billion in balance-of-payments financing to 72 countries. Since the beginning of 1983, some $27 billion in concerted bank lending had been disbursed in the form of new money. The corresponding figure for rescheduling of medium- and long-term bank debt was in excess of $140 billion. But given the heavy lending by the Fund over the preceding few years and the revolving nature of its finances, the Fund's role as a financial catalyst would become even more central in the period ahead. Since the success of the debt strategy relied heavily on the industrial countries doing their part to create a favourable global economic environment, the Fund would seek to strengthen surveillance on those countries in order to improve their economic performance and to promote a better and more stable system of exchange rates. Last but not least, an expanded role was envisaged for the World Bank and the regional development banks. Much had been accomplished, but one had to build on those foundations to restore growth and creditworthiness to the heavily indebted countries.

321. The representative of *Algeria* said it was generally agreed that the international economic situation was serious and worrying; problems of trade, debt, money and development had provoked, owing to their diversity and interrelationship, a global economic crisis by which the most seriously affected were developing countries. The complex challenges faced by the international community required resolute and global initiatives leading to radical solutions, so that international co-operation and multilateralism could again become the basis of solidarity and understanding between States.

322. He noted that economic growth in developed countries had neither halted rising unemployment nor reduced fiscal and trade deficits and that it had even less influenced the situation of developing countries which continued to suffer grave difficulties arising from falling export earnings and a considerable increase in debt. He concluded thus that interdependence, and the close relationship between problems which made the evolution of international economic relations a matter of concern for all countries, required a global approach. As to monetary problems, the current trend continued to show the threat of currency instability and high interest rates. Even the developed countries which were the most attached to liberalism were beginning to question the efficiency of the current international monetary system and to envisage the convening of an international conference on money and finance. It was necessary to reach, beforehand, a minimum of agreement on its modalities and objectives. Developing countries should fully participate in all efforts aimed at implementing reform of the international monetary system. Restructuring of the monetary and financial framework, which might result from such a conference, would surely ease the financial difficulties of many developing countries.

323. He added that, in the meantime, the resources provided by the developed countries and commercial banks to help developing countries in their financing difficulties were insufficient, as indicated by the sharp reduction of investment and the postponement of many development programmes in those countries where such resources were the main financing component. Such a situation made an increase in ODA with softer conditions more necessary than ever, and required efforts from creditors to grant to debtors conditions which were more in line with their growth and development requirements. He underlined, in that regard, the serious economic situation of the African continent and expressed the hope that, at the special session of the General Assembly devoted to that issue, the international community would prove its solidarity by measures adequate to its seriousness and to the region's long-term development needs.

324. Referring to the situation of many oil-exporting countries, he observed that the erosion in the purchasing power of oil meant a drastic reduction of their investment capabilities and a serious decrease in their imports. Should such a deterioration be long-lasting, it might jeopardize future energy availabilities.

325. Regarding the debt of the third world, he underlined the fact that developing countries had become net payers to the international banking and financial system and developed countries. That paradoxical situation had been caused, *inter alia*, by the refusal of financial and banking circles to establish a link between debt service obligations and ability to pay in terms of export revenues. Debt was a problem for the international community as a whole. Its solution required the setting-up of an adjustment process ensuring more symmetry between

debtors and creditors. He added that, in that regard, one should consider the advantage of a more political and global approach which would enshrine the principle of shared responsibility between debtor countries, creditor countries, commercial banks and international financial institutions.

326. To those problems had to be added the deterioration of terms of trade of commodity-exporting developing countries: the collapse of commodity prices had reached dramatic levels for the development efforts of those countries, and that had been accompanied by a shrinking of their access to the markets of industrial countries. He indicated that the decrease in revenues from commodity exports (34 per cent between 1980 and 1985) had jeopardized the development process of most developing country producers. Thus, in that area, as in others, interdependence required international action aimed at stabilizing and strengthening commodity markets. The implementation of the Integrated Programme for Commodities and the efforts made to negotiate and renegotiate commodity agreements would permit rehabilitation of that sector for the benefit of the whole international community. He reiterated an appeal to the countries which had not yet ratified the statutes of the Common Fund to do so, so that the financial conditions for its implementation could be satisfied.

327. He recognized the importance of the Board's regularly examining the issues of protectionism and structural adjustment. He hoped that the discussion would be fruitful, paving the way for the adoption of measures to prevent new protectionist barriers being erected and the suppression of those already existing, in particular those concerning the exports from developing countries. The task would be all the more difficult as protectionist policies had multiplied, contrary to Conference resolution 159 (VI). He added that that was particularly detrimental to developing countries, all the more so since developed countries had not fulfilled their engagements to grant privileged treatment to developing countries. Document TD/B/1081 had shown that the protectionist arsenal of developed countries had meant higher economic and social costs for developing countries.

328. Monetary and financial problems required a clear political will from the international community, and the same was true for the problems of commodities, deteriorating terms of trade, and protectionism, all of which required greater commitment and action.

329. Algeria welcomed and supported the proposals of the Secretary-General of UNCTAD for restoring economic growth to the benefit of all. The proposals, which identified the major areas for international action, would also contribute to restoring UNCTAD to its special position as a forum for negotiation and discussion of all trade and development issues. The suggestions made by the Secretary-General on the agenda of the seventh session of the Conference would serve to stimulate the elaboration of that agenda.

330. The representative of *India*, speaking on the world economic performance, observed that recovery had begun to falter and its impact was limited. Per capita incomes continued to decline in the whole of Africa and in most countries of Latin America. In Africa, fundamental problems of growth were aggravated by exogenous factors which had spawned the current crisis. In Asia, large sectors of the population remained below the poverty line. Many developing countries were confronting severe debt-servicing difficulties which had forced on them cutbacks in imports. That, in turn, had resulted in deceleration of growth, increased unemployment and reduced welfare. He emphasized that the partial measures taken to contain the debt problem in the short run had not satisfactorily addressed the accelerating and crippling burden of debt.

331. Among the disturbing features of recent developments were the unprecedented decline in commodity prices, rising protectionism, the absence of effective and adequate remedial measures in the area of money and finance and the lack of co-ordinated macro-economic policies of the industrialized countries. It was an unavoidable conclusion that the deep and pervasive economic crisis remained recalcitrant, and would persist as long as the pursuit of recovery was confined to the developed countries without regard to the interests of the developing world. He noted that, although the concept of interdependence was much talked about, there was a lack of political will in its practical implementation. It was evident that growing protectionism in the industrial countries was inhibiting adjustment in the industrialized countries and growth in the developing world; yet protectionist trends were nevertheless intensifying. Problems in the monetary and financial fields remained untackled while in the area of trade, only partial and superficial measures were sought. The development process was, moreover, being undermined by lack of concessional aid. Pursuit of macro-economic policies in a narrow national context left not only the full potential of the major economies unrealized but was also detrimental to the long-term development prospects of poorer countries. Restoring multilateralism based on enlightened perceptions of interdependence could remedy the situation. The search should be for mutually reinforcing solutions which attacked the roots of the problems in various sectors. The objective should be one of shared management of global development and prosperity. To that end, co-ordinated measures in trade, money and finance and development were called for.

332. Turning to the proposed new round of MTN, he was sceptical that a new round would help in stemming protectionism and liberalizing world trade, given that past commitments on standstill and roll-back had remained unimplemented. There was similarly little indication of progress in areas of safeguards, textiles and agriculture, which constituted major elements of the GATT Ministerial Declaration of 1982.[18] It was in that context that many developing countries had urged, as a prerequisite for the commencement of a new round, the necessity of firm and credible commitments by developed countries *vis-à-vis* the standstill and roll-back of restrictive measures and to negotiate on a priority basis a comprehensive agreement on safeguards. Notwithstanding the establishment in November 1985 of a Preparatory Committee by the GATT Contracting Parties to examine the

[18] GATT, *Basic Instruments and Selected Documents, Twenty-ninth Supplement* (Sales No. GATT/1983-1), p. 9.

objectives, modalities and agenda of the proposed new round, such a round was not yet a *fait accompli* and a decision would depend on the progress achieved in the Committee and the outcome of its deliberations as viewed from the standpoint of the developing countries.

333. Given the interdependent state of the world economic system, the pursuit of trade liberalization measures alone was unlikely to restore the health of the international trading system and adequately stimulate development and recovery. As was widely acknowledged, trade problems had been accentuated by policy measures adopted by developed countries in the fiscal, monetary and financial fields. Exchange rate volatility, persistent over-evaluation of key currencies, inadequate liquidity, the paucity of financial resources, high real interest rates, and the methods and conditionality attached to debt rescheduling were inexorably influencing trade flows and trade policies in the direction of perpetuation and intensification of protectionism. Interdependence implied the need to act on all fronts in an integrated and consistent manner. Thus, the objective of revising the multilateral trading system must be pursued concurrently with that of reform of the international monetary and financial systems. In that connection he reiterated the importance of the proposal of the Conference of Heads of State or Government of Non-Aligned Countries for the early convening of an international conference on money and finance for development with universal participation.

334. Turning to the seventh session of the Conference, he said that the multi-faceted crisis confronting the world community in areas of trade, development, money and finance created a special task for the forthcoming Conference. He viewed the Conference as an opportunity to translate commitments to multilateralism and development co-operation into a concrete plan of action. He said that the preparatory phase should be devoted to identification of specific and urgent issues within the framework of interdependence which would lay the groundwork for negotiated decisions. UNCTAD was a forum not only for generating new ideas but also for negotiating specific decisions and agreements on concrete and concerted action. He emphasized that the current crisis reinforced the need for enhancing the negotiating role of UNCTAD. Identification of specific substantive issues must take precedence over procedural matters concerning the format of the outcome of the Conference. The latter could be easily visualized once the former task was accomplished.

335. Apart from the urgent task of negotiating specific decisions on the burning issues in the fields of trade, debt, finance and development, he stressed that the Conference should address the more fundamental and long-term challenges that were developing. There was currently a retreat from multilateralism, a weakening of faith in development co-operation and an emergence of insular attitudes. The vision of a new international economic order was being undermined by initiatives which would not only entrench the existing order but would further accentuate its inequity and asymmetry. Those were danger signals. He therefore called for a commitment at the seventh session to a reversal of those trends and to rededication of the true spirit of international co-operation for development.

336. The representative of *Cuba* recalled the statements by the President and the Secretary-General of UNCTAD on the current international economic situation, observing that it was not his intention to provide a further analysis since the situation had been sufficiently described with precision and eloquence.

337. He noted that the level of external indebtedness of developing countries had reached $1 million million, of which Latin America accounted for one half. The situation of Africa was particularly grave also. The adjustment measures adopted in one group of debtor countries had been characterized mainly by a compression of imports and investment, which had adversely affected the already precarious income levels of the population. In some cases those measures had only been sufficient to generate a small trade surplus inadequate to cover debt service payments which, consequently, had continued to increase. At the same time the reduction in growth rates and investment entailed by those same measures reduced their future debt-servicing capacity even more. When, on another occasion, Cuba had argued the thesis that the external debt could never be paid, it had supported its position with calculations and arguments which could not be refuted. The passage of time had only served to strengthen the case. A case in point was the recent fall of petroleum prices which had aggravated the problem. In that context, he quoted recent statements by the President of Cuba to the effect that sooner or later both debtors and creditors would agree—preferably through dialogue as opposed to a catastrophic crisis—that the situation was hopeless and write off the debt once and for all, and that continued efforts to apply the inhumane prescriptions of IMF could produce only social upheavals of unpredictable magnitude. The proposal was simple, comprehensive and eminently practical. Creditor developed countries would assume the debts owed by the developing countries to banks in their own countries, financing the operation by a 12 per cent reduction in military expenditures. It was not the intention to bankrupt the international financial system, nor to impose losses on depositors of commercial banks, nor to cause tax burdens to be increased. The Cuban President had, moreover, pointed out that debt cancellation alone would not resolve the current economic crisis of the third world. That could be accomplished only by implementing the principles of the new international economic order, already adopted by the United Nations, which would end unequal exchange, protectionism, dumping, usurious interest and monetary and financial manipulation practised by a few powerful developed market-economy countries, and establish unconditional economic solidarity with the least developed countries. Solution of the debt problem and the implementation of the new international economic order would increase the purchasing power of the third world, which had desperate needs, and bring to full capacity utilization factories in developed market-economy countries, where high unemployment had become endemic. The President had also said that for Latin America there was an additional imperative, economic integration, if that region was to have a place in the world of the twenty-first century. The fall in petroleum prices would save developed market-economy countries in 1986 alone no less than $80 billion, enough

to pay the interest on the external debt of developing countries for one year.

338. In respect of international trade and trade policies, he noted that international trade had exhibited zero growth in 1985. Moreover, economic indicators in a number of developed market-economy countries, considered by some to have been experiencing economic recovery, had once again fallen—evidence that the crisis was far from being overcome. Moreover, not even the temporary improvement had had a significantly positive impact on the developing countries. That was because a number of policy measures implemented by the developed market-economy countries had had an essentially restrictive character. Commodity prices remained at their lowest level since the Great Depression and were for the most part below the cost of production. Protectionist tendencies had continued to gain support, in some cases resulting in trade legislation in flagrant violation of the General Agreement and legalizing the use of discretionary policies. The use of economic coercion for political purposes had continued despite repeated injunctions from the international community to desist. Nicaragua, for example, continued to be a victim of the economic blockade imposed by the United States. Cuba, which had withstood similar treatment for 25 years, was now confronted with additional punitive measures aimed at impeding exports to third-country markets.

339. Another negative tendency which had gained ground in 1985 was the lack of progress and even retrogression in the negotiation of commodity agreements with economic provisions. The policies of some developed market-economy countries clearly reflected disenchantment with mechanisms for international economic co-operation and a desire to leave commodity prices to the vicissitudes of market forces, a situation advantageous only to the most powerful countries. Meanwhile, an initiative to launch a new round of trade negotiations in GATT was—and he insisted on the emphasis—being *imposed* on countries party to the General Agreement. Cuba's position was that the new round of trade negotiations had to take into account the interests of all parties, including in the first place the developing countries, which had been the group most seriously affected by the current international economic crisis and by the lack of discipline in respecting the rules and norms of the current international trading system. The international community needed to be alert to the negative consequences of the initiative to undertake negotiations in such areas as services, high technology, foreign direct investment, and intellectual property, which were of vital importance to all countries. Detailed studies in those areas were indispensable prior to the initiation of any negotiating process.

340. He referred to the process of change and transformation which had been occurring in the wake of scientific and technical progress, the pace of which would surely quicken during the remainder of the century. The fields of microelectronics and biotechnology, *inter alia*, had begun to introduce unsuspected possibilities to mankind. He was confident that developing countries would know how to defend their interdependence and economic development against any country which would try to impose a new slavery based on an absolute monopoly of high technology.

341. International economic relations, he said, could not be analysed without reference to the current political situation. In that context, he referred to the danger of nuclear war and the negative consequences of the arms race and the Strategic Defence Initiative of the United States. He drew encouragement from the recent summit meeting of the leaders of the United States and the Union of Soviet Socialist Republics, and particularly the most recent proposal of the leader of the Soviet Union to eliminate all nuclear weapons by the end of the century. At the same time he deplored what was a series of wars of aggression supported or financed as part of a policy of State terrorism directed at countries attempting to pursue independent policies or at national liberation movements. As examples he cited Namibia and *apartheid* in South Africa. It was necessary to create an international political climate of détente, to disallow the use of force as a means of solving conflicts, and to put a stop to aggressive policies aimed at perpetuating discrimination and oppression, all of which would have favourable repercussions on international economic relations.

342. As to the seventh session of the Conference, the Cuban delegation was of the view that the agenda should consist of a limited number of high priority items and that the Conference should have as its objective to reach concrete agreements in those priority areas. Those high priority areas should include external debt, monetary and financial problems, trade policies, and commodities, independently of other items which might also be of some importance. He supported the strengthening of UNCTAD's mandate as a negotiating forum and felt that the seventh session of the Conference ought to make a genuine contribution to trade and development.

343. The representative of *Hungary* stated that there were heavy constraints on the world economy due to several factors, including the exceedingly poor state of the trading system, the tension and insufficiencies of the international monetary system, the critical debt situation of a number of developing countries, the exorbitant cost of the arms race, and the lack of confidence in economic relations. Protectionism still proliferated in spite of the commitments undertaken at the GATT Ministerial Meeting in 1982 and at the sixth session of the Conference in 1983 to halt and eliminate protectionist measures. The state of agricultural protectionism was alarming. The agricultural policies of some developed Western countries, in particular the large subsidization of agricultural exports on international markets, had brought about important price erosion, causing serious prejudice to efficient traditional agricultural exporters. Those agricultural export policies hindered the adequate development and diversification of food production in many developing countries.

344. The trading system should be restored and strengthened, primarily through the full application of its basic norms, including that of non-discrimination. A key factor in ensuring that objective was to bring national trade policies into conformity with internationally contracted norms, and that was a primary responsibility of the major trading nations. The need for structural adjustment was stronger and more urgent than ever. The nec-

essary structural transformations should be realized in a development context, and not by major economic and social shocks and sacrifices for individual countries. The strict interrelationship which existed between national structural adjustment efforts and the external economic and trade environment should be recognized.

345. He added that it was doubtful whether the international trading and financial systems, in their current state, were capable of ensuring the necessary external framework for a harmonious transition towards more perfect and efficient economic structures. To avoid the aggravation of the international debt situation, the international community should work with a view to progressively eliminating the disequilibria in the world economy and sharing the burdens of adjustment in a just and equitable way. The external surplus countries should pursue such economic, financial and trade policies which would ensure sustained economic growth, predictable market access possibilities, exchange rate stability, and the necessary financial resources. Multilateral financial institutions could play an important role in the improvement of liquidity positions by increasing their resources and lending. The reverse flow of financial resources in the case of a great number of developing countries gave rise to great concern. If that situation continued, there would be no chance for the most affected developing countries to overcome their difficulties. The volatility of exchange rates continued to be a disturbing factor for business operations. Steps should be taken in the direction of a new international exchange rate system, which would be capable of avoiding the uncertainties of floating rates as well as the rigidities of the preceding system.

346. The interlinkage between arms expenditure and economic development was evident. The development process could be accelerated, and necessary structural adjustments could be realized faster and more harmoniously if military budgets were cut.

347. As a small trading nation with an open economy, Hungary had no alternative but to increase its participation in the international division of labour. The dependence on foreign trade and the heavy exposure to protectionist measures underlined Hungary's interest in an open international trading system and its commitment to a multilateral, stable and predictable contractual trade policy discipline. It supported the idea of starting new trade negotiations in GATT, with the expectation that they should reinforce the GATT system, based on non-discrimination, and should create more favourable market access conditions. The participation of all interested countries in the MTN should be ensured. International trade had become distorted by obstacles of economic origin as well as by non-economic causes, including the application of restrictions on high technology trade. Confidence-building and strengthening the security of international economic relations were, therefore, among the priority tasks of the current period.

348. The representative of the *World Bank*, referring to views expressed on the gravity of the problems facing the developing countries and their various causes and origins, noted that the adverse developments had affected all developing countries in varying degrees, but the impact was particularly severe on the heavily indebted countries and the countries of sub-Saharan Africa. Regarding debt, he briefly reviewed the approach of debtor and creditor countries' handling of the debt situation since its eruption in mid-1982. He drew attention to the prompt response of the debtor countries to the crisis and the flexibility shown by the international financial system. The early phase of the crisis had witnessed the mobilization of emergency packages to facilitate adjustment to the changed resources situation and to bring about financial and economic stability. It was evident that appropriate adjustments were vital in maintaining the exposure of creditor banks. Several countries had undertaken Draconian programmes to stabilize their economies. The brunt of the adjustment in the early stabilization phase had been borne by investment (particularly public investment) and imports, both of which had declined precipitously. Those measures had generated trade surpluses and excess of savings over investment which, while allowing the countries to service their external payments obligations to varying degrees, entailed a sharp decline in GDP, increased unemployment and a fall in real wages and general living standards. Despite considerable sacrifices, debtor countries had not been able to fully service their debts. The international financial system had responded flexibly to that situation through various *ad hoc* arrangements which were followed by negotiations of multi-year debt rescheduling agreements. Multi-year rescheduling had been arranged in January 1986 with Ecuador, Mexico and Yugoslavia, and agreements were imminent for the Dominican Republic, Venezuela and Uruguay.

349. The early years of the debt crisis thus had exhibited resolve by debtor nations to incur sacrifices in order to stabilize their economies and to meet their international payments obligations, and the international financial system had displayed a flexibility not fully foreseen. But the experience of the earlier period offered important lessons. First, compression of imports and reduction in investments were—at best—short-term palliatives. They facilitated debt servicing over the short run but in the longer term their effect was to weaken the economies and undermine the restoration of creditworthiness. Secondly, it was evident that, although sustained growth was conditioned on a measure of economic stability, restoration of economic stability was made much harder in the face of declining income and welfare. Thirdly, multi-year reschedulings, though helpful, did not provide the indebted countries with adequate resources for financing investment vital to growth.

350. Those lessons had ushered in the current phase of the debt crisis, the essence of which was captured in the Baker plan. The outline of measures required was now evident and was manifested in the terms of the Austral plan, launched by Argentina the previous year, and Brazil's recent programme for economic stability. Those and other evolving programmes reflected the awareness that earlier stabilization efforts had generally failed to encourage economic growth. In fact, in many countries, the earlier success in achieving a measure of economic and financial stability had now yielded to accelerating inflation and renewed balance-of-payments difficulties. Some of the larger indebted countries were currently formulating and implementing policies and programmes that should, over time, lead to economic expansion and

gradual easing of the debt problem. Those programmes typically combined monetary, fiscal and exchange-rate policies to achieve economic stability with structural adjustment policies that influenced production, trade and distribution decisions.

351. The success of those programmes was conditional on a number of factors. A first factor was related to political conditions. Given the fall in incomes of the preceding few years, no programme of economic reform would be politically viable without some increase in per capita consumption. That implied a minimum growth of GDP by 3.5 to 4.0 per cent per annum given population growth in debtor countries of 2.5 to 3.0 per cent. Second, it was vital for the programmes of reform to increase significantly the efficiency of capital use. Even then, he estimated that rate of investment of some 20 per cent was a minimum to produce the required increase in the GDP. A third factor was the need to sustain the rate of investment along with the servicing of external debt, implying a substantial required increase in domestic savings. The programme of growth with stability was liable to fail if the implied required increase in savings was such that it did not allow a modest increase in per capita consumption. Multi-year rescheduling was thus vital in providing the needed debt relief, as was the augmentation of external capital inflows on terms that did not exacerbate the debt problem. Indeed, external resource requirements were highly sensitive to the level of interest rates, as indicated in the *Trade and Development Report, 1985*.[19] The recent declining trend in interest rates was thus encouraging in the light of recent calculations of capital requirements which showed that, should high interest rates persist, total external capital requirements would be of a magnitude exceeding the lending capacity of commercial banks. A final factor vital to the resolution of the debt problem was the need for simultaneous action by all concerned parties, namely debtor and creditor countries, the commercial banks and the international financial institutions. The success of the developing country policy initiatives could be thwarted if the growth of the developed countries was modest, or if protectionism restricted developing country access to export markets.

352. Focusing on the situation of sub-Saharan Africa, he said that the region was emerging from one of the worst famines in recent history. Rain had fallen on much of the region for the first time since 1980. Per capita incomes were expected to rise in 1986, but not sufficiently to reverse the chronic trend of economic decline. There was little cause for optimism. Low income Africa was poorer in 1986 than it had been a generation before. Population growth remained largely unchecked and productivity was all but stagnant. Continuation of current trends would precipitate a re-emergence of the human disaster of 1983-1984. He observed that 1986 provided a breathing space which should be used by Africa to make structural adjustments aimed at reviving growth, especially in agriculture, and to halt the deterioration in basic health and education services. Africa's attempts at self-help would, however, fail without additional resources. The resources needed to restore Africa's growth exceeded by far their current availability. The magnitude of resource needs reflected the deepening debt problem in Africa, with rapidly rising debt-servicing obligations as well as a decline in non-concessional flows due to deteriorating creditworthiness. Although some increases in bilateral and multilateral flows could be expected, a further $US 2.5 billion per year in concessional flows and debt relief was required over the next five years to restore African import capacity to its 1980-1982 level. Increased flows from multilateral agencies through the Eighth Replenishment of IDA, IMF Trust Fund reflows, and the eventual replenishment of the African Development Fund might provide $1 billion per year of those requirements. For the remainder, a major effort was needed in bilateral assistance, through additional aid and liberal debt relief. At its forthcoming meeting, the Development Committee would be deliberating on the Bank's reports on the conditions and policy implications for the resumption of growth in the middle-income indebted countries and the resource requirements of sub-Saharan Africa. He affirmed the Bank's readiness to play its role in the endeavour to bring economic expansion with stability to those countries.

353. The spokesman for the *Group of 77* (Peru), speaking on item 4, recalled that in his statement at the autumn session, the spokesman for the Group of 77 had described the various dimensions of the debt problem as an integral part of the development crisis, reiterating the urgent need for a lasting solution to that problem. At the current session he found himself obliged to repeat that appeal in view of the intolerable effects of that situation on the developing countries.

354. Since the most recent session of the Board, as the Secretary-General of UNCTAD had clearly stated, the tension on the debt front continued to mount. The international economic context with which the developing countries had to contend continued to be very unfavourable. Real interest rates remained very high, despite recent actions aimed, in practice, at rectifying the overvaluation of the dollar. Commodity prices were continuing to decline steadily. The subsidies of the developed countries for their agricultural produce were contributing to that decline in prices, while mineral products and metals also had to contend with various protectionist measures; at the same time, oil prices were falling sharply.

355. The lack of access to financial markets persisted, while the massive transfer of financial resources to the developed countries as a consequence of debt servicing had become one of the most serious obstacles to growth. ODA was declining in real terms, while protectionism in its current forms was rapidly increasing in the developed countries and the terms of trade for the developing countries' exports were deteriorating.

356. To the already heavy burden of debt servicing were added the effects of those external factors, which were diminishing the capacity of the developing countries to sustain an economic development consistent with their social, political and economic obstacles.

357. At the previous session of the Board, the spokesman for the Group of 77 had emphasized the fact that the possibility of making adjustments in the developing countries had been exhausted and that the political

[19] See footnote 1.

and social cost had been too high. Such measures, required in many cases by international financial and banking institutions through the conditionality of the IMF, had triggered recession and unemployment, jeopardizing growth and development.

358. In view of that situation, the Group of 77 was interested to note that, in a recent initiative, recognition had been given to the joint responsibility of all the parties involved in the debt problem, the Governments of developing debtor countries and of developed creditor countries, and international financial and banking institutions.

359. However, the Group of 77 did not consider that lasting solutions to the debt problem could be based on inflexible formulas which did not take account of the economic realities and social needs of its member countries, and the implementation of which would impede the adjustment processes already under way. Nor did his Group consider that a modest increase in financial flows could be sufficient to solve the debt problem, when it was a well-known fact that such flows should provide a means not only of meeting obligations to creditors, but also of ensuring sustained growth. Furthermore, the possibility of combining adjustment with economic growth basically depended on a substantial expansion of export earnings and an increase in other external resource flows to the developing countries as a supplement to domestic savings.

360. It was accordingly essential that there should be an improvement in all the external variables and that the debt problem should be dealt with not only in its technical and economic aspects, but also as part of a global and political approach. The objective must be to find, jointly and in a responsible manner, new and appropriate solutions which would revive the development process of the developing countries, on the basis of the equitable participation of all the parties involved both in the search for such a solution and in the distribution of the costs deriving from its implementation.

361. The Group of 77 considered that the achievement of such a solution required a political dialogue that included Governments both of debtor developing countries and of creditor developed countries, and international financial and banking institutions, in recognition of the responsibility of each of those parties in finding an overall solution to the debt problem.

362. That political dialogue must aim at equity and symmetry between the parties in distributing the costs of the economic adjustment process, on the basis of the recognition that the growth of the economies of the developing countries was a necessity which brooked no delay and to which schemes for solving the debt problem must be fully geared. With regard to official debt, the full and urgent implementation of Board resolutions 165 (S-IX), in particular its section A, and 222 (XXI), was needed.

363. The Group of 77 also believed that an improvement of international economic conditions for the solution of the debt problem was needed through appropriate policies by developed countries. The developing countries should be given the opportunity to generate the export earnings needed to service their external debts through institutional commitments on the standstill and roll-back of protectionist measures adopted by the industrialized countries, better and more stable access to their markets by the developing countries export products, and the combating of disruptive commercial practices, discriminatory treatment and managed trade in general. In that connection, stabilization of commodity markets with fair and remunerative prices was of vital importance.

364. Action must be taken without delay to reverse the net outflow of financial resources from the developing countries to the developed countries. Consequently, a maximum percentage of transfers linked to a minimum growth target in national product should be established. In any event, debt service payments should be limited to a percentage of export earnings compatible with the development needs and economic and social requirements of each country. In addition, transfers of new resources from industrialized to developing countries were needed to enable the developing countries to revive their development process. The resources of multilateral development organizations should also be increased—among other purposes, for the granting of soft loans to be used not only for debt payment but also for stimulating production and economic growth.

365. All that implied a need for a substantial reduction in real interest rates to levels compatible with the economic growth and development requirements of the developing countries, the stabilization of interest rates and the extension of grace, payment and consolidation periods. A distinction should be made between old debt and new debt created by new credit flows, the latter being given preference with regard to both its priority payment and amortization periods.

366. As to the institutional aspect, he must again emphasize the importance that the Group of 77 attached to reducing the conditionality of the IMF and to eliminating the cross-conditionality with the World Bank. Compensation of commodity-related export earnings shortfalls should be significantly improved in order to stabilize developing countries' foreign exchange earnings and sustain their creditworthiness. It was also necessary to review and improve guidelines for the granting of export credit guarantees by the industrialized countries.

367. He again stressed the necessity for an international monetary and financial reform taking full account of the interests and requirements of the countries of the Group of 77. The time had come for action, and a United Nations conference on money and international finance should be convened without further delay.

368. Last but not least, the Group of 77 wished to reiterate its position that, in solving the problems which he had mentioned, special treatment should be given to the least developed countries, and that the problem of Africa's indebtedness required the urgent adoption of specific measures by the developed countries and the multilateral banking and financial institutions providing credit.

369. The representative of *Australia* said that his delegation looked forward to working closely with the Secretary-General of UNCTAD in carrying forward the important work on managerial reform which had been initiated and he was convinced that, under the new lead-

ership, UNCTAD would re-establish its position as an important multilateral organization.

370. Although the secretariat and delegations shared responsibility for the health of UNCTAD, he fully endorsed the Secretary-General's views on the tremendous potential of the secretariat staff and the importance of management in mobilizing it effectively in a manner consistent with the Charter of the United Nations and the International Civil Service Conventions.

371. Turning to international economic developments, he noted that the analysis presented thus far indicated a combination of worrisome as well as encouraging factors. Although interpretation of the overall picture was subjective, he was encouraged by recent positive developments in international co-operation. There were, however, several elements of particular concern, such as the unanticipated deceleration in world trade growth in 1985 and deteriorating commodity trends. Regarding commodities other than oil, he observed that the fall in prices had been generally continuous since early 1985, except for coffee. In real terms all the major non-oil commodity price indexes had reached unprecedented post-war lows in 1985. A major recovery in commodity prices was not in prospect, given the persistence of slow world economic growth, continuing high real interest rates and problems of over-supply. Since mid-January a fall in the price of oil had also been witnessed.

372. An important factor underlying most developments was the deterioration in 1985 of the international trading environment and the persistence and intensification of chronic and fundamental problems in the scope and application of trade rules. Experience demonstrated that the use of non-tariff barriers, subsidies, safeguard measures and agricultural protectionism had altered the basic link between world production and trade. Subsidies had distorted resource allocation, undermining growth and exacerbating the problems of indebtedness and debt servicing and of market access for developing countries. In that context he strongly supported a new round of MTN which would adequately address the interests of all countries. Increased market access for developing country exports into industrial markets was clearly vital and he hoped for progressive integration of developing countries into the world trade system on a fair and equitable basis. The convening of a new MTN round was an opportunity to reaffirm commitments to multilateralism, to create conditions conducive to trade expansion and to give effect to a major co-operative undertaking. Assuming political will in launching the trade round and in assuming its wide-ranging participation and successful conclusion was forthcoming, the impact on debt and on other international financial problems could clearly be positive. Although the relationship between those factors was quite evident, the practical policy implications for international co-operation were not. He was not in favour of any formal link between a new round and international financial issues on the grounds that differences in views on how to tackle financial and monetary issues might forestall progress in matters on trade liberalization.

373. With a view to promoting wide-ranging participation in the trade round in a co-operative spirit, Australia had taken the initiative in exploring ideas on a new round with countries in its highly dynamic region, whose interests would be best served by an effectively functioning open multilateral trading system. Developing countries, acceptance of the rules and disciplines of that system was, however, conditional on issues of pressing interest to them being appropriately addressed and on the credibility of the industrialized countries application of their commitments, vital to the integrity of the system.

374. The experience of the Pacific basin demonstrated the benefits of sound domestic economic management. Notwithstanding the diversity of individual countries' economic experiences, it was notable that the most encouraging progress was manifested by those developed and developing countries whose domestic policies reflected the key requirements for adjustment and sustained growth.

375. Australian experience had substantially confirmed the adverse effects of inappropriate sectoral policies on macro-economic performance. In recent years, Australia had implemented a wide-ranging structural policy reform which would enhance its competitiveness, increase efficiency and productivity and facilitate its greater integration into the world economy and that of the dynamic Pacific basin. Citing examples of such reforms, he referred to the shift to floating exchange rates and the liberalization of capital flows. Domestic financial markets had been progressively deregulated while the banking system had recently been opened to new entrants, including numerous wholly foreign-owned banks. The Government had also embarked on tax reforms and reduced tariff protection for various manufactures so as to encourage rationalization and adjustment.

376. As to the policy implications of interdependence, he underlined the inevitability of adjustment and the importance of speedy and flexible national policy responses in the maximization of longer-term growth, in the enhancement of multilateral dialogue and co-operation. He reiterated the importance of continuing organizational reform in UNCTAD, in restoring its credibility and in assuring its continuing relevance to the contemporary concerns of all its membership. He fully endorsed current efforts in improving the organization's working procedures and management. He viewed the seventh session of the Conference as both a continuation of that process and as a major opportunity to witness tangible improvement. An effective session would give the organization a clear sense of the priorities which should govern its work in the ensuing period, facilitating a further rationalization of work programmes and increased efficiency. To achieve an effective outcome to the Conference, it was vital to seek fresh approaches to the agenda. He suggested that the Conference should have a focal theme reflecting the most important contemporary preoccupations of members. A theme such as "Structural change in the world economy" appeared appropriate and would provide a novel perspective for consideration of both development and trade questions. A cross-sectoral approach was also vital in ensuring that deliberations were focused effectively on a limited number of relevant issues. He cautioned against a lengthy disaggregated agenda which would ultimately constrain a more realistic and interdependent approach to problems. He pledged his full support in assuring that the

seventh session of the Conference would be a success, and a major step in the revitalization of the organization.

377. The representative of *Namibia* stated that, although Namibia was endowed with abundant natural wealth, its natural and human resources were controlled by the illegal South African régime and other foreign economic interests; only a small fraction of its wealth accrued to the Namibian people themselves. Although mining constituted almost half of Namibia's GDP and almost 90 per cent of exports, it employed only 10 per cent of the African labour force. Subsistence agriculture, on the other hand, on which the vast majority of Namibians depended, contributed only 2.5 per cent of the GDP. It was difficult to obtain comprehensive and reliable information on the Namibian economy or on the foreign trade in Namibian products conducted by South Africa. Such figures as were released were carefully selected to give the impression that Namibia was economically unviable and heavily dependent on South Africa—an impression contradicted by the substantial profits earned by companies active in the mineral sector. It had been ascertained that over 60 per cent of Namibia's GDP was appropriated as company profits which were repatriated, while sectors other than mining were neglected to the extent that Namibia had become highly dependent on imports for the most basic requirements, including food.

378. Although, 20 years earlier, in resolution 2145 (XXI), the General Assembly had terminated the Mandate of South Africa over Namibia and placed it under the direct responsibility of the United Nations, South Africa continued illegally to occupy it. Over the years, the United Nations Council for Namibia, established by the General Assembly, had acted to fulfil its responsibilities. In 1974 the Council had enacted Decree No. 1 for the Protection of the Natural Resources of Namibia,[20] making it illegal to exploit, transport, process or purchase Namibian products. In 1985, the Council had decided to take legal action in the domestic courts of States against corporations or individuals contravening the Decree. The Council's activities had been supported continually by the General Assembly.

379. Namibia had been a member of UNCTAD for several years and a member of the Trade and Development Board since its thirty-first session. Assistance to Namibia had been the subject of Conference resolution 147 (VI) and had resulted in the preparation by the United Nations Institute for Namibia in Lusaka of a comprehensive document on all aspects of economic planning in an independent Namibia.[21] The Council for Namibia requested the Trade and Development Board actively to continue to seek ways and means to provide further assistance to Namibia in the pre-independence as well as the post-independence period.

380. The representative of *Ethiopia* observed that the major economic factors which had generated the economic crisis of the early 1980s were still at work, though of lesser severity. The outstanding issues of debt, the drastic fall in investment and growth, unemployment, the collapse of commodity prices, and the persistence of the critical situation in sub-Saharan Africa remained unresolved. The sharp rise in the debts of developing countries had often been caused and/or accompanied by sharp declines in prices of commodities in the markets of developed countries and a large exodus of domestic capital resources from developing countries. New approaches to the resolution of those problems should combine long-term development assistance with debt-easing measures in order to deal with basic problems of a structural nature and to stabilize the economy and hence sustain development.

381. The economies of most developing countries had been seriously weakened by the dramatic collapse of commodity prices since 1980. In the third quarter of 1985, commodity prices had fallen in dollar terms over 34 per cent below the 1980 average. According to IMF, the index of wholesale prices of 30 non-oil commodities in 1985 had averaged 11.7 per cent below that of 1984. Indeed, the average index of prices in 1985 had been at its lowest level since 1976. There was no doubt as to the devastating impact of such price collapses on the feeble commodity-dependent economies of developing countries, which were often heavily indebted. The international financial and commodity market situation had deteriorated to such a degree that developing countries were now transferring resources in a reverse direction equivalent to 0.70 per cent of their GDP. As a minimum the transfer should have been in the other direction. He noted with serious concern the fact that in some creditor countries banks claimed as much as 140 to 180 per cent of principal from developing countries.

382. If commodity-dependent economies were to embark upon a path of sustained socio-economic development, the international community would have to find remedies for the commodity sector. More serious attention should be given to the establishment of a comprehensive and integrated compensatory financing mechanism for the export earnings shortfalls of developing countries. Such a mechanism could deal with both the supply-based and the market-based causes for shortfalls. That would also facilitate the exploration of possible extensions and integration of existing compensatory mechanisms.

383. The economic crisis in Africa was the major problem of international concern for the second year now. Although national and international efforts and favourable climatic conditions had abated the emergency situation in most of the affected countries, the structural economic problems could continue to cripple African economies. In recognition of the reality of that problem, the General Assembly had decided to convene a special session at ministerial level to consider in depth the critical economic situation in Africa. UNCTAD's input to that effort would, of course, be a valuable one and he appreciated that the Secretary-General had given the matter utmost priority.

384. His delegation had noted the secretariat's report on the drought and external trade of the countries members of the CILSS (TD/B/1082). A similar study should also be undertaken for the countries of Eastern

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[20] *Official Records of the General Assembly, Thirty-fifth Session, Supplement* No. 24 (A/35/24), vol. I, annex II.

[21] *Economic development strategies for independent Namibia* (based on the work of Arbans S. Aulakh and Wilfred W. Asombang) (Lusaka, United Nations Institute for Namibia, 1985) Namibia Studies Series No. 9.

Africa which were members of the recently established Intergovernmental Authority in Drought and Development.

385. Concerning the agenda for the seventh session of the Conference, he suggested that consideration be given to the items in accordance with the degree of attention they deserved. The items could be grouped into two packages. The first, the minimum package, could comprise commodities, money and finance; the second, the comprehensive package, could cover all other issues of trade and development. The idea behind that approach was to make the issues of absolute urgency the focus of attention, since the currency and primary importance of those issues were undisputed and action-oriented measures were expected from the Conference by developing countries. If there was agreement, in principle, on that approach among the regional groups, preparatory work should commence as soon as possible.

386. The representative of *Israel* stated that there was a crisis in development although positive trends had been noted recently, including reduced inflation, lower interest rates and growth of world trade. A more recent positive trend was the drop in oil prices. He noted that non-oil-exporting developing countries consumed more than 300 million tonnes of crude oil and oil-related energy products. That was equivalent to some 2.2 billion barrels of oil per year. A reduction of oil prices therefore resulted in important savings for those countries—a drop of $10 per barrel meant that $22 billion of additional resources would become available every year to the non-oil-exporting developing countries. It had, of course, to be recognized that that gain for non-oil-exporting countries was a loss for oil exporters, whose accumulated debts amounted to some $300 billion, as compared to a debt of some $600 billion for the non-oil-exporting developing countries. On the other hand, one should not forget that according to the latest report of the Bank of England, the oil-exporting developing countries held accumulated financial reserves estimated at some $400 billion. Unfortunately, those immense reserves were not available to those oil-exporting countries, which had the greatest needs. It was therefore incumbent upon the international community to take account of their special needs. The Baker plan was certainly a step in the right direction. He added that the recent decline in oil prices would also lead to an increase of approximately 1.5 per cent in the GNP of the OECD countries. That would mean additional resources of the magnitude of some $140 billion. That would not only stimulate demand for the products of the developing countries; it might also induce an increase in the level of ODA to the developing countries and could reduce the real rate of interest to the benefit of indebted developing countries.

387. He considered that not only development but UNCTAD itself was in crisis: in recent years it had not been very effective. It dealt with matters outside its real sphere of competence, usually of marginal importance, and had failed to address the significant issues within its area of jurisdiction. Among those were the questions relating to commodities—a matter of grave concern to many developing countries. He noted the recent breakdown of the Tin Agreement—which had been negotiated under the auspices of UNCTAD. Its failure could have serious repercussions on the eventual coming into operation of the Common Fund, yet at the current session of the Board, no consideration had been given to those problems. In addition, negotiations on sugar and cocoa had broken down and it could therefore be said that UNCTAD's Integrated Programme for Commodities had failed. It was essential that, at the seventh session of the Conference, the commodity issue be faced and be dealt with on a priority basis.

388. The representative of the *Ukrainian Soviet Socialist Republic* pointed out the huge size of the external debt of developing countries and its rapid growth during the recent period. He drew attention to the Political Report of the Central Committee of the Communist Party of the Soviet Union to the XXVII Congress of the Party, which had finished its work the previous week. That report stressed that, together with profits transferred yearly from the developing countries, the accumulated debt meant just one thing: the prospects of their development had shrunk and a further deterioration of the already terrible social, economic and other problems was inevitable. Debt service had become unsustainable and the debt crisis had already ceased to be only a financial one and had serious political and social dimensions. Sooner or later the Western creditors would have to choose between policies of force and possibilities of equitable solutions. In the current situation, the developing countries had lost their access to the sources of external financing. On the contrary, the developing countries were now extending resources to the developed States of the West without compensation.

389. The question of debt had been discussed in many forums without tangible results. Partial measures would not be successful; a political solution on an equal and democratic basis with the involvement of all interested parties was necessary. The solution of the debt problem must be radical—in the interests of the peoples of the developing countries. He considered that questions of debt and development were highly interlinked with the problems of disarmament, peace and a reduction in military spending. He urged UNCTAD's active participation in all matters relevant to that link, especially in the preparation of the International Conference on the Relationship between Disarmament and Development, which was to take place in the summer of 1986.

390. He drew attention to the successful solution of socio-economic problems in socialist countries, putting forward the example of the Ukrainian SSR where, during the previous five years, the national income had increased by 21.3 per cent while industrial production had risen by 18.5 per cent. During the next five years even more dynamic growth was planned. That goal had to be achieved through increasing efficiency, accelerating scientific and technical progress and improved management and production methods. In sum, an enormous and complex task had to be accomplished.

391. The representative of *Afghanistan* concurred with the views expressed by the spokesman for the Group of 77 in his statement on items 3 and 4, as well as the concern of other delegations regarding the worrying situation of the international economy and the gravity of the economic situation of the developing countries. At the previous session of the Board, the seriousness of the

situation had been emphasized, as well as the urgent need for a global solution; but nothing had changed since then. The long economic crisis had had disastrous effects on the economy of developing countries, in particular the least developed countries and the land-locked countries. He indicated, for instance, that income per capita had declined in the past years in most developing countries. The difficult situation of developing countries was also due to the unhealthy and disastrous impact of selfish economic policies followed by some developed countries, through protectionism and increased discrimination and coercion. Owing to protectionism, collapsing commodities prices, increasing manufactured goods prices, deteriorating and unstable terms of trade, embargoes and unrestrained armament expenses, developing countries were overburdened by rising balance-of-payments deficits, stagnating production, export price collapses, scarcity of food products, reduced per capita income, as well as by the terrible weight of debt and debt servicing. In his view the current international economic system was no longer able to ensure a continuous and harmonious development of the world economy and to provide equitable solutions to the world's economic and social problems. It was time now to open efficient global negotiations on development. It was necessary to work seriously to establish a new international economic order, and he indicated that UNCTAD should work in that direction. Developed countries should not take advantage of the current difficulties of developing countries to impose on them a particular type of development, and the necessary measures should be taken in accordance with the desires and proposals of the Group of 77 and the non-aligned movement.

392. The Democratic Republic of Afghanistan supported the legitimate demand of developing countries and all efforts and initiatives aimed at launching global negotiations. He welcomed the strenuous efforts made in that regard by developing countries and hoped that the proposal of the non-aligned countries for a two-phase schedule for those negotiations could be accepted by the international community. He indicated that his Government also supported the programme of immediate measures to deal with the most serious difficulties of developing countries. However, although urgent measures were essential, there was a long-term necessity of a deep and sustained restructuring of international economic relations through the establishment of the new international economic order which would provide a durable solution of the problems of the developing countries.

393. The deterioration of developing countries' trade was due to increased protectionism. Some developed market-economy countries had not respected their obligations in that regard, but, on the contrary, had kept on strengthening protectionist and discriminatory measures against developing countries to the point where the latter were prevented from repaying their debt through their exports. It was essential that Conference resolution 159 (VI) be fully implemented, in particular with preferential treatment of developing countries without any discrimination. The convening of an international monetary and financial conference for development was a positive element, and demonstrated that developing countries were ready to adopt a constructive approach based on co-operation. In that regard, he underlined the continuously increasing debt burden of developing countries and the resulting large net transfer from those countries to developed countries. Measures taken in that area should aim at alleviating the debt burden of developing countries, at seeking integrated, long-term solutions in a larger development perspective, and, above all, at establishing new credit policies and co-operation mechanisms between debtors and creditors.

394. The rising burden of economic problems for a majority of countries resulted from the use of the international financial system as a means of pressure and intimidation: those actions, as well as the increased pressures levered through some international financial organizations, were inadmissible. He added that the result of such pressures was to lead to the interruption or cancellation of credits to developing countries, even the least developed, by IMF, the World Bank and some other institutions.

395. Reform of the international monetary system had to go together with policies aimed at increasing ODA provided by developed countries and international organizations. In that regard, his delegation regretted that at the very time when developing countries needed large financial flows, those flows were actually declining. It was necessary that the international community fully and effectively implement the Substantial New Programme of Action and provide to the least developed countries financial assistance in the form of grants and the writing off of debts.

396. His Government attached great importance to the work on trade relations between countries having different social and economic systems and to international and regional development co-operation with all countries, on the basis of mutual respect of independence, sovereignty, equality and reciprocal advantages. Given the relation between peace, co-operation and disarmament, measures aimed at halting the arms race and at initiating a disarmament process, especially regarding nuclear weapons, were an essential element of all efforts aimed at solving the international economic crisis and UNCTAD could contribute to raising awareness of the relation between disarmament and development.

397. The representative of *Viet Nam* emphasized the importance of the current session on the eve of the seventh session of the Conference and hoped that it would be possible to formulate sound guidelines for the preparation of the seventh session of the Conference.

398. Countries live in an interdependent world. Aware of that interdependence, and in a spirit of co-operation, it was necessary to find concrete and efficient ways to solve the grave problems and overcome obstacles to international growth providing a solid base for further advancing towards the establishment of a new international economic order. In recent years, despite great efforts by the international community, the economic situation, particularly in developing countries, had been deteriorating: external obstacles to the economic growth of developing countries had become bigger and insurmountable; interest rates, for instance, remained very high, thus contributing to reverse transfers from developing to developed countries, while the collapse of com-

modity and oil prices worsened the terms of trade to the prejudice of developing countries. Contrary to their commitments in Conference resolution 159 (VI), developed countries still maintained protectionist policies and discriminatory measures against developing countries, including Viet Nam. It was to be hoped that developed countries would respect their own commitments.

399. The increasing debt and debt-service payments were becoming a continuously heavier and unbearable burden for developing countries, particularly the least developed. Moreover, some creditor developed countries had, through the financial and banking institutions, used debt as an instrument for economic and political pressure by forcing debtor countries to apply adjustment policies to the prejudice of their domestic economies, thus violating the principle of non-interference in the internal affairs of other countries. Developing countries could not repay their debt and an equitable solution was required; failing that, the current situation could have significant adverse consequences for both creditor and debtor countries. He called for concrete measures including reform of the monetary and financial systems based on a global strategy, formulated by all countries in the world in a spirit of co-responsibility and co-operation. He also welcomed the proposals on disarmament and the use of the resources released thereby for the development of developing countries.

400. Viet Nam considered UNCTAD as perhaps the only one among the permanent global economic organizations which was really universal, and where developed and developing countries, market-economy and socialist countries were sitting side by side. He also hoped that UNCTAD would help to devise equitable measures at the special session of the General Assembly on Africa to solve the crisis in that region. The seventh session of the Conference should be a unique opportunity to examine the profound causes of the difficult international economic situation and to provide concrete and equitable solutions to set it right. Regarding the agenda and organization of the seventh session of the Conference, he considered that the statement by the Secretary-General provided a sound basis.

401. The representative of the *United States of America* believed that some of the observations made in the past had helped both the secretariat and member States to take steps that had helped UNCTAD shift its focus and its operations on to a more productive path. The United States continued to feel that UNCTAD's most important role was that of a forum for ideas, a forum for reasoned debate and for clear thinking. Referring to the business world, he said that a businessman was always guided in his decisions by profit-and-loss statements and if he would not adjust to a changing environment, he soon would be out of business. There was a parallel to that in UNCTAD and he thought it would not be unreasonable if members of UNCTAD asked whether they received value for their money. Every two years UNCTAD expended approximately $55 million. His delegation had spoken before about the need to make UNCTAD more relevant and realistic, about the need for UNCTAD not to waste its time and effort on those things it could not change and to devote its resources to helping developing countries seek solutions that worked. He believed that UNCTAD had made some progress in moving toward that approach, but more progress was needed. UNCTAD had many programmes designed to provide benefits to developing countries, but what were specific examples of where a real tangible benefit had been the result? Had the member States of UNCTAD, in fact, received fair value for their investment? Could the money have been spent better? By investment, he meant not only money, but also investments of hope and expectations on the part of the people of developing countries who viewed UNCTAD as an organization that was created to assist them in their growth and development. In UNCTAD one spoke of economic growth and development in terms of a global issue requiring global solutions and the deliberations were at the governmental level. But global development could take place only when individual States grew and States could only grow as the individual citizen grew and prospered. The importance of the individual was perhaps most graphically portrayed by the way in which most countries had been mobilized to action by the pictures and stories of individual human beings and the suffering they were enduring in the drought that struck much of Africa. The United States was proud of the way in which it had responded to the crisis in Africa, and most proud of the way individual Americans had responded. With that same feeling, the United States continued to look to the individual as the corner-stone of economic growth.

402. His experience as an American convinced him that to grow and prosper people had to be free. People required proper incentives—including the profit motive, people needed an environment of stability and predictability, based on the rule of law and due process, people needed to feel free from threats to their person and their property. Probably many representatives would not agree with those points but if serious exploration proved that those conditions did significantly contribute to productive economic activity and growth, then UNCTAD should become a showcase for those ideas, promoting them for the benefit of those countries truly committed to growth and development.

403. The concepts he had outlined were valid regardless of culture, heritage, language, religion or race, since they worked and had proved successful. In various countries those concepts had been adopted to meet local circumstances. Each State had to make its own decisions, be responsible for its own development and live with the results of those decisions. Conferences, documents, speeches and declarations could not alter that simple fact of life. A State could choose either to take advantage of what the world had to offer or to see itself the impotent victim of an unfair and intolerable system. Whatever the choice, countries would have to live with the consequences. It was his belief that the first course was the wiser and more productive path, but UNCTAD in his view had tended to promote the latter path. It was time for UNCTAD to change its approach. It would be desirable if UNCTAD's activities were based on the case-study approach in order to take up the many positive developments occurring in developing countries. UNCTAD's debates and discussions should focus on ideas which had worked and were working. UNCTAD clearly needed a new focus—a focus based on realism

and empirical evidence, not on outdated theories of economic development long since proved wrong. He suggested that one way of being more supportive of national development processes would be seriously to consider investigating the value of small enterprises in the process of economic growth. At a recent conference in the United States on the question of small enterprise development, several international financial experts pointed out that small-scale enterprises could generate a majority of the 120,000 new jobs that were needed every day in the developing world. They pointed out further that the cost factor for creating those new jobs was extremely low, ranging from $1,000 in Latin America to $30 to $50 in other parts of the world. At the Conference, Mr. Mohammed Yunus, the Managing Director of the Grameen Bank in Bangladesh, had described how his institution had grown from a one-man operation in a single village in 1976 to the point where it had provided more than $800,000 to 58,000 landless poor in some 3,600 villages. If UNCTAD was serious about economic growth and development, it might want to study Mr. Yunus's experience. If UNCTAD and its member States were willing to change from the old path, there would be the prospect that its work would serve the interests of all the member States.

404. At the 687th meeting, the *President* read out the summary and conclusions which he had prepared following the debate on agenda items 3 and 4.

Action by the Board

405. At its 687th meeting, on 21 March 1986, the Board decided to annex the President's summary and conclusions to its report (for the text, see annex II below).

Chapter II

SEVENTH SESSION OF THE UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

(Agenda item 5)

406. At the 680th meeting, on 10 March 1986, the *President* of the Board drew attention to two earlier Board decisions on item 5: Board decisions 237 (XXIII) of 8 October 1981 and 323 (XXXI) of 27 September 1985.

407. The *President of the Board at its thirty-first session* reported on the results of his consultations undertaken pursuant to Board decision 323 (XXXI). In those consultations both in Geneva and in New York with the regional co-ordinators, representatives of individual countries and the leadership of UNCTAD, he had concentrated on the question of the venue of the Conference. The current situation could be summed up as follows:

(*a*) By its decision 237 (XXIII) of 8 October 1981, the Board had endorsed the decision taken by the Latin American Group to hold the seventh session of the Conference in one of the countries of Latin America and had taken note with interest of the desire of Cuba to host the seventh session of the Conference.

(*b*) At the thirty-first session, Cuba had reiterated its offer to host the seventh session of the Conference and the Board in its decision 323 (XXXI) again had taken note with interest of that offer.

(*c*) At the current stage, Cuba was still the only country which had presented an offer to host the seventh session of the Conference.

408. He added that, from his consultations, it appeared that, at a session of the Conference held in Cuba, there would probably not be participation by all members of UNCTAD. He had been given clearly to understand that one major country most likely would not attend a Conference session taking place in Cuba. In that connection, several country representatives had expressed the view during his consultations that they considered it of major importance that the Conference have full global participation; otherwise, the value of the Conference—and the interest of those countries in it—would be much reduced.

409. He noted that the normal timing of the next session of the Conference would be in the spring or early summer of 1987. In that connection, the General Assembly would have to take a decision based upon a recommendation of the Board. Although such a recommendation could *à la rigueur* be made at a later stage, it would be highly desirable for it to be made at the current session. He observed that, in the absence of a specific decision in the matter, the normal rule was that United Nations bodies should meet at their established headquarters, in the present case Geneva. However, for logistical reasons, the seventh session of the Conference could not be held in Geneva in spring or early summer 1987 and thus, if the Conference were to be held in Geneva, it would have to be postponed until later in the year.

410. At the same meeting, upon the proposal of the *President*, the item was referred for consideration and report to the Contact Group of the President.

411. During the course of the session, the *Secretary-General of UNCTAD* submitted a note on the preparations for the seventh session of the Conference (TD/B/L.791). Papers were also submitted to the Contact Group on the aims of the seventh session of the Conference, its provisional agenda and related matters.[22]

412. At the 687th meeting, the *President* informed the Board that it was not possible to take a final decision regarding the provisional agenda and preparations for the seventh session of the Conference at that stage, notwithstanding his intensive consultations on the matter. Accordingly, and in the light of his consultations with the regional co-ordinators and in the Contact Group, he was submitting two draft decisions under the item, one entitled "Place, date and duration of the seventh session of the United Nations Conference on Trade and Development" (TD/B/L.800); and the other "Preparations for the seventh session of the United Nations Conference on Trade and Development" (TD/B/L.801).

Action by the Board

413. At its 687th meeting, on 21 March 1986, the Board adopted the draft decisions submitted by the President (see decisions 331 (XXXII) and 332 (XXXII)).

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[22] Seventh session of the United Nations Conference on Trade and Development: "Some thoughts on the agenda and organization, submitted by Switzerland on behalf of the States members of Group B" (TD/B(XXXII)/CG/CRP.2), "Some comments by the Chinese delegation on the agenda and programme of work" (TD/B(XXXII)/CG/CRP.3), "Preparation of the provisional agenda for the seventh session of the Conference—views submitted by the delegation of the USSR on behalf of Group D, and of Mongolia" (TD/B(XXXII)/CG/CRP.4).

Chapter III

SPECIFIC MATTERS ARISING FROM THE RESOLUTIONS, RECOMMENDATIONS AND OTHER DECISIONS ADOPTED BY THE CONFERENCE AT ITS SIXTH SESSION REQUIRING ATTENTION OR ACTION BY THE BOARD AT ITS THIRTY-SECOND SESSION

(*Agenda item 2*)

Conference resolution 151 (VI): Implementation of the medium-term and long-term recovery and rehabilitation programme in the Sudano-Sahelian region

414. Introducing item 2, the *Chief of the Special Programme on the Least Developed, Land-locked and Island Developing Countries* referred to the report by the UNCTAD secretariat entitled "The drought and the external trade of the countries members of the Permanent Inter-State Committee on Drought Control in the Sahel (CILSS)" (TD/B/1082), which had been submitted to the Board at its current session in pursuance of Board resolution 295 (XXIX). He said that, by late 1985, rains had returned in most of those countries but the problems which had arisen from the prolonged drought would not be eliminated merely by the renewal of the rainfall. Although the countries members of CILSS had taken concrete steps to overcome their economic difficulties, it was unrealistic to expect that their economies could recover from the effects of the drought without international assistance. General Assembly resolution 40/175 entitled "Countries stricken by desertification and drought" and the "Appel de Dakar" adopted at a meeting of heads of State of the countries members of CILSS in January 1986, both called upon the international community to provide adequate support to the countries concerned.

415. The spokesman for the *Group of 77* (Sudan) said that the report by the UNCTAD secretariat (TD/B/1082) showed clearly that the external sector of the countries members of CILSS had not been able to play its role fully as a result both of the drought and of the current world economic situation. Nevertheless, as the report indicated, the CILSS countries had not remained passive in the face of their economic difficulties; an extraordinary session of the Council of Ministers of CILSS had been held in Niamey, Niger, in 1985 to streamline the co-ordination of relevant national policies. He agreed with the proposals in the report for strengthening support by the international community to countries members of CILSS, in particular the proposals for increased ODA, debt cancellation and more liberal lending by international financial institutions such as the World Bank and IMF. In fact, the Group of 77 considered that the report could serve as a contribution by the UNCTAD secretariat, through the agreed proper channels, to the work in progress for the preparation of the thirteenth special session of the General Assembly on the critical economic situation in Africa to be held in May 1986. With reference to General Assembly resolution 40/221 on assistance to the drought-stricken areas of Djibouti, Ethiopia, Kenya, Somalia, the Sudan and Uganda, which were grouped in the newly-established Intergovernmental Authority on Drought and Development in East Africa, he called for a study to be undertaken on those countries similar to the report on the countries members of CILSS.

416. The representative of the *Netherlands*, speaking on behalf of the *European Economic Community and its member States*, pointed out that all countries members of CILSS were also parties to the Lomé Convention and that six of them were least developed countries. Expressing concern at the harm done by drought and desertification to the development efforts of those countries, he stated that, in addition to emergency aid, the Community had designed an assistance programme for the recovery and rehabilitation of those countries, including rural development, anti-desertification and development of natural resources. Co-operation between the EEC and the CILSS countries was further pursued in the context of the Club of Sahel. He said that the forthcoming special session of the General Assembly on the critical economic situation in Africa would be a good opportunity to consider further the problems of the countries of the Sudano-Sahelian region.

417. The spokesman for *Group D* (German Democratic Republic) said that Group D devoted considerable attention to the critical situation in Africa, including the Sudano-Sahelian region. He welcomed the contribution made by UNCTAD in the implementation of the medium-term and long-term recovery and rehabilitation programme in the Sudano-Sahelian region as the problems of the countries members of CILSS were closely related to trade and development. He felt that the report by the secretariat (TD/B/1082) made a complete and useful analysis, and he supported the policy recommendations therein, notably those related to strengthening the foreign trade of the CILSS countries. In a realistic manner, the report drew attention to the difficulties caused by the market-economy system, which aggravated the economic situation of the countries of the region, in addition to the effect of drought and desertification. Group D believed that the Board should devote special attention to that aspect.

418. The representative of *Kenya* expressed appreciation for the action taken by the international

community in support of the drought-stricken countries. He observed that the drought had spread beyond what was strictly the Sahelian region and was affecting eastern and southern Africa. He pointed out that all the countries members of the Intergovernmental Authority and mentioned in General Assembly resolution 40/221 were either least developed or low income countries, the latter being only marginally different from the former. He made an appeal to the international community, and to UNCTAD in particular, to strengthen assistance to the countries members of the Intergovernmental Authority on Drought and Development.

419. The representative of *China* expressed support for the statement made by the spokesman for the Group of 77 and for the secretariat report (TD/B/1082), which, in his view, provided valuable information and policy recommendations. He noted that most CILSS member countries were also specially disadvantaged countries. The world economic recession and the drought had both seriously affected production and trade in those countries. He noted that the international community had provided support to the CILSS member countries, which had played an important role in their economic revitalization; but, in the face of the serious economic difficulties, the assistance was still not sufficient to meet their needs. He therefore called for the continuation of assistance. He pointed out that China, as a developing country, had assisted those countries within its capacity. It would continue those efforts in the framework of ECDC.

420. The representative of *Canada* welcomed the secretariat report, which highlighted many of the constraints and challenges facing the countries members of CILSS. At the same time, he regretted that it did not provide a more profound analysis of the economic and ecological imbalances of the region, nor a better understanding of CILSS development strategies. The report focused on the unreliability of rainfall and neglected other important factors such as rapid population growth, overgrazing and poor agricultural practices, deforestation and improper management of water resources. It also overlooked the effects of inadequate domestic policies, civil unrest and inter-State conflicts. He stressed the continuing importance of appropriate and flexible domestic policies as key factors in growth and recovery.

421. He regretted that the review of international support was neither comprehensive nor detailed enough to be useful and he outlined, as an example, the scope of Canadian involvement in the region. A major inaccuracy in the report was the assertion that emergency food supplies diminished the level of aid to the region: for Canada and most other donors, food aid was additional and incremental to ongoing programmes of assistance. He viewed positively, however, the balanced recommendations and priorities in the report. He wished his remarks on the report to be viewed as constructive for any similar studies that might be undertaken. He reaffirmed Canada's commitment to assist in Africa's current crisis and to help in moving to a better future for all.

422. The representative of *Burkina Faso* said that his country, as one of the countries covered in the secretariat report (TD/B/1082), encouraged the preparation of such reports on countries affected by the drought. He hoped that such studies would lead to appropriate, concrete action.

Action by Sessional Committee I

423. At its 4th meeting, on 13 March 1986, the Sessional Committee took note of the report by the secretariat (TD/B/1082).

424. At its 7th (closing) meeting, on 21 March 1986, the Sessional Committee recommended that the Board adopt the draft decision on agenda item 2 (TD/B(XXXII)/SC.I/L.5) submitted by the Chairman of Sessional Committee I.

Consideration in plenary meeting

Action by the Board

425. At its 687th meeting, on 21 March 1986, the Board adopted draft decision TD/B(XXXII)/SC.I/L.5 (for the text, see decision 328 (XXXII)).

426. At its 688th meeting, on 26 March 1986, the Board decided that, pursuant to this decision, the section of its report dealing with the implementation of the medium-term and long-term recovery and rehabilitation programme in the Sudano-Sahelian region should be submitted to the General Assembly at its special session on the critical economic situation in Africa, together with the report by the UNCTAD secretariat in TD/B/1082.

Chapter IV

MATTERS REQUIRING ACTION BY THE BOARD ARISING FROM OR RELATED TO REPORTS AND ACTIVITIES OF ITS SUBSIDIARY AND OTHER BODIES

(Agenda item 7)

OTHER BUSINESS: OPERATIONAL ACTIVITIES FOR DEVELOPMENT

(Agenda item 10)

427. These items were referred to Sessional Committee I for consideration and report.

A. Least developed countries

(*Agenda item 7* (a))

REPORT OF THE INTERGOVERNMENTAL GROUP ON THE LEAST DEVELOPED COUNTRIES ON ITS SIXTH SESSION

428. The *Chief of the Special Programme for Least Developed, Land-locked and Island Developing Countries* introduced the report of the Intergovernmental Group on the Least Developed Countries on its sixth session (TD/B/1078), which was held from 30 September to 12 October 1985. It contained the conclusions, recommendations and resolution adopted by the Group on the occasion of the mid-term review of progress towards the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries. He recalled that the General Assembly, in its resolution 40/205 of 17 December 1985, had endorsed the conclusions and recommendations and had decided to hold a global review and appraisal of the implementation of the Programme of Action at a high level in 1990.

429. The spokesman for the *Group of 77* (Bangladesh) said that the painfully slow progress in the implementation of the Programme of Action had been due mainly to the significant shortfall in the availability of external support measures, resulting in serious deterioration in the socio-economic conditions of the least developed countries. The conclusions and recommendations of the mid-term review had strongly reaffirmed the Programme of Action and its objectives. Concrete and effective measures had been suggested, in the priority areas identified, in order to fully achieve the targets of the Programme of Action during the remainder of the 1980s. Referring to resolution 9 (VI) adopted by the Intergovernmental Group and to General Assembly resolution 40/205, he expressed the hope that the Board at its current session would take concrete action on the task entrusted to UNCTAD by the General Assembly concerning the convening of the global review meeting in 1990. He requested the Board to agree on the convening of a United Nations conference on the least developed countries in 1990 in order to reflect adequately the importance of the subject and to take appropriate decisions in respect of a programme for the 1990s. The Group of 77 would put forward a proposal on the matter for the consideration of the Board.

430. The spokesman for *Group D* (German Democratic Republic) said that the implementation of the Programme of Action could contribute substantially to accelerating the social and economic development of the least developed countries. The Intergovernmental Group had confirmed the progressive objectives of the Programme of Action and had indicated some ways for the greater achievement of those objectives during the second half of the 1980s. The decisions adopted could contribute, to a certain extent, to the acceleration of the socio-economic progress of the least developed countries on condition that those countries participated actively in the implementation of the aims of the Programme of Action. However, in the view of Group D, some important elements were lacking in the decisions taken by the Intergovernmental Group, such as the need to stop the outflow of financial resources from developing to developed market-economy countries, compensation of least developed countries for the effects of the crises in those countries, the need to lower the artificially raised high interest rates, the debt problems of least developed countries, countering protectionist measures and discrimination in the trade policy of developed market-economy countries, and the interdependence between disarmament and the economic development of all countries, including the least developed countries. He recalled the position of the Group D countries on the targets for transfer of financial resources as well as on the interpretation of the references to "developed countries", "donor countries", "all developed donor countries", etc. He also reiterated the position of Group D on Board resolution 165 (S-IX). He stated that Group D countries would continue their efforts to develop trade and economic co-operation with the least developed countries.

431. The representative of *China* noted that the least developed countries had made tremendous efforts in an unfavourable international environment and, together with the great assistance afforded by the international community they had achieved an average annual growth rate of 2.5 to 3 per cent. But that growth rate was still far behind the target set in the Substantial New Programme of Action. The Intergovernmental Group had made an objective review of national policies and international support measures, had proposed appropriate measures for future implementation, and had confirmed the Substantial New Programme of Action as the basis for further co-operation between the least developed countries and their development partners. He recalled that the General Assembly, in its resolution 40/205, had endorsed the conclusions and recommendations of the Intergovernmental Group, had urged the international community to accelerate the implementation of the Substantial New Programme of Action, and had called on UNCTAD to carry out its responsibilities in that area. China was confident that the implementation of resolution 40/205 would enable the objectives of the Substantial New Programme of Action to be realized and that the results would be visible in 1990.

432. The spokesman for *Group B* (Belgium) said that the mid-term review had been extremely useful. There had been agreement, *inter alia*, on the important role played by non-governmental organizations in the least developed countries. Co-operation between Group B countries and the least developed countries had been excellent in the past and would continue to be so. Despite the economic constraints imposed by the international economic crisis, a number of donor countries had not only increased their aid but had also concentrated it on least developed countries and would continue to do so in future.

433. The representative of *Nepal* said that, although the Substantial New Programme of Action had been a breakthrough in international efforts to assist the least developed countries, almost six years after its adoption the socio-economic situation of the least developed countries had further deteriorated and progress towards attainment of the objectives of the Substantial New Programme of Action had been painfully slow. The mid-term review had provided a useful opportunity to review progress in the implementation of the Substantial New Programme of Action, and had reaffirmed its purpose, aims and validity. His country remained committed to the Substantial New Programme of Action and supported the conclusions and recommendations adopted by the Intergovernmental Group. He called on the Board to take action on the date, venue and mandate for the high-level global review of the Substantial New Programme of Action in 1990.

434. The representative of the *Netherlands*, speaking on behalf of the *European Economic Community and its member States*, stated that the EEC would continue to co-operate in action to improve the situation of the least developed countries. In 1986, the Community would continue the fight against drought through emergency relief measures for the affected peoples and areas. The increased budget allocation of the Community under the Third Lomé Convention,[23] covering 27 associated least developed countries, would greatly facilitate new programmes under the Convention, with emphasis on rehabilitation and food strategies. The Community was also trying to improve the form of its aid and the flexibility of its application. For example, the Community had extended the compensation system for loss of earnings from commodity exports to the Community originating in least developed countries not signatories of the Lomé Convention. That extension would become effective in 1987 to cover the export earnings deficit of 1986. He reaffirmed the Community's interest in the least developed countries and its commitment to the achievement of the goals of the Substantial New Programme of Action.

435. The representative of *Bhutan* expressed his full support for the statement by the spokesman for the Group of 77. He was very concerned about the continued socio-economic deterioration in the least developed countries and the slow progress towards achieving the objectives of the Substantial New Programme of Action. Recalling the conclusions and recommendations adopted by the Intergovernmental Group and the decision of the General Assembly, in resolution 40/205, to convene a high-level meeting in 1990 to carry out a global review and appraisal of the Substantial New Programme of Action, he said that Bhutan favoured a high-level political representation on that occasion. He therefore urged the Board to recommend to the General Assembly that it convene a United Nations conference in 1990. He reasserted the important role played by UNCTAD in the global monitoring of the Substantial New Programme of Action and urged UNCTAD to continue its review of progress, including at the seventh session of the Conference.

436. At the 4th meeting of Sessional Committee I, on 13 March 1986, the spokesman for the *Group of 77* (Bangladesh) introduced a draft resolution (TD/B(XXXII)/SC.I/L.2) on the global review and appraisal of the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries, which had been submitted by Chile on behalf of the States members of the Group of 77.

437. The representative of *Egypt* expressed support for the draft resolution submitted by the Group of 77. He pointed out that there were several important elements to be taken into account when discussing the problems of least developed countries. They included: (*a*) the interdependence and mutual influence in today's world; (*b*) the nature of the problems faced by the least developed countries, which were similar to those affecting other developing countries—the difference was in the degree, not in the quality of those problems; (*c*) sharing responsibility in development efforts between certain external parties and the least developed countries themselves. Due appreciation and encouragement, however, should be expressed to donors that had already fulfilled their commitments and to least developed countries that had embarked on serious national development plans.

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[23] Third Convention ACP-EEC, signed at Lomé on 8 December 1984 (see *Official Journal of the European Communities*, vol. 29, No. L. 86, 31 March 1986, p. 3).

438. He supported holding the 1990 meeting called for by the General Assembly as a United Nations conference, as suggested by the Group of 77 in its draft resolution. At that level, the conference would be able to respond to the deteriorating economic situation in the least developed countries, as had been noted during the mid-term review of the implementation of the Substantial New Programme of Action, and also to the current and possible effects of such deterioration on the international community at large. Good preparation for that conference should be guaranteed by involving all available relevant bodies, studies and statistics in order to base the work of the conference on up-to-date information and accurate estimates, and by making realistic forecasts. The UNCTAD secretariat should be involved in such preparations.

439. He outlined the following questions for further study in the preparations for the 1990 conference:

(*a*) The advisability and desirability of additional unconventional approaches that would promote effective implementation of the Substantial New Programme of Action;

(*b*) The adequate compatibility of international support measures with the levels of development in the least developed countries;

(*c*) The central role of UNCTAD in ensuring the implementation of the Substantial New Programme of Action, which should help the least developed countries to emerge from their current situation;

(*d*) The achievement of a balance between external support measures and the political independence of the least developed countries.

Action by Sessional Committee I

440. At its 2nd meeting, on 11 March 1986, the Sessional Committee took note of the report of the Intergovernmental Group on the Least Developed Countries on its sixth session (TD/B/1078) and of the action taken thereon by the General Assembly.

441. At its 7th (closing) meeting, on 21 March 1986, the Sessional Committee recommended that the Board adopt the draft decision on agenda item 7 (*a*) submitted by the Chairman of Sessional Committee I (TD/B(XXXII)/SC.I/L.3).

Consideration in plenary meeting

Action by the Board

442. At its 687th meeting, on 21 March 1986, the Board adopted draft decision TD/B(XXXII)/SC.I/L.3 (for the text, see decision 329 (XXXII)).

443. At the same meeting, the Board took note of the report of the Intergovernmental Group on the Least Developed Countries on its sixth session and of the action taken by the General Assembly thereon (TD/B/1078 and General Assembly resolution 40/205 of 17 December 1985).

444. The Board also decided to annex to its report the draft resolution submitted by Chile on behalf of the States members of the Group of 77 (TD/B(XXXII)/SC.I/L.2) (for the text, see annex III below).

B. Shipping

(*Agenda item 7* (b))

Maritime liens and mortgages

Maritime fraud and piracy

445. The *Director of the Shipping Division* introduced a note by the secretariat (TD/B/L.789) concerning resolution 2 (II) adopted by the *Ad hoc* Intergovernmental Group to Consider Means of Combating all Aspects of Maritime Fraud, including Piracy, and a note by the secretariat (TD/B/L.790) relating to resolution 6 (XI) on maritime liens and mortgages adopted by the Working Group on International Shipping Legislation at its eleventh session.

446. The spokesman for *Group D* (German Democratic Republic), while approving the establishment of the joint group of experts on maritime liens and mortgages, recommended in paragraph 1 of resolution 6 (XI), observed that in its work the group should use resources allocated to the Working Group on International Shipping Legislation of the UNCTAD Committee on Shipping and to the Legal Committee of IMO. He added that the draft convention prepared by the International Maritime Committee was unacceptable to his Group as it stood. Group D could not accept that the provisions permitting the arrest and forced sale of vessels be applied to State-owned ships used for commercial purposes. He suggested those provisions should be waived in respect of such ships, provided they carried on board a certificate, issued by the flag State, accepting liability for any maritime liens they might incur. Finally, he noted that if no agreement could be reached between UNCTAD and IMO regarding the joint group of experts, the Working Group on International Shipping Legislation would have to continue its programme of work and begin the study of charter-parties at its twelfth session.

447. On the subject of maritime fraud, he said that Group D endorsed resolution 2 (II) adopted by the *Ad hoc* Intergovernmental Group.

448. The spokesman for the *Group of 77* (Mexico) asked when it would be known whether the proposed joint group of experts to consider maritime liens and mortgages would be convened. If the joint group were not convened, she understood that the Working Group on International Shipping Legislation would proceed with its agenda, taking up the subject of charter-parties. As to maritime fraud, she expressed approval of resolution 2 (II) adopted by the *Ad hoc* Intergovernmental Group.

449. The *Director of the Shipping Division*, responding to the question raised by the spokesman for the Group of 77, stated that the matter had to await the outcome of the meeting of the Council of IMO in June 1986. In the meantime, the secretariats of UNCTAD and IMO were making progress in the administrative and procedural arrangements for the convening of the joint intergovernmental group of experts. He confirmed that, if the IMO Council did not approve the convening of the joint intergovernmental group, the Working Group on International Shipping Legislation would take up the

next subject on its agenda—i.e. charter-parties—at its twelfth session.

450. The spokesman for *Group B* (Norway), referring to paragraph 1 (*d*) of resolution 2 (II) on maritime fraud and piracy, expressed the view that the bank "super-service" would not particularly help to combat maritime fraud. He suggested that the UNCTAD secretariat, in its approach to the subject, should bear in mind the remarks made by the Secretary-General of UNCTAD in his opening statement to the Board about priorities in work to be undertaken in UNCTAD.

451. The representative of *Brazil*, referring to maritime liens and mortgages, expressed support for the convening of the joint intergovernmental group of experts proposed by the Working Group on International Shipping Legislation, but was of the opinion that its work should be limited to a previously fixed number of meetings, unless additional meetings were really needed and both the Trade and Development Board and the IMO Council so decided. Those meetings would be preceded by studies prepared jointly by the secretariats of UNCTAD and IMO. In his opinion, the secretariat's travel costs should be limited strictly to the preparation of those documents. The same observations applied also to the costs involved in the preparation of the studies on maritime fraud which had been requested by the *Ad hoc* Intergovernmental Group to Consider Means of Combating all Aspects of Maritime Fraud, including Piracy, at its second session.

Action by Sessional Committee I

452. At its 3rd meeting, on 12 March 1986, the Sessional Committee took note of TD/B/L.789 and TD/B/L.790 and endorsed the resolutions therein.

Consideration in plenary meeting

Action by the Board

453. At the 687th meeting, on 21 March 1986, the Board took note of the notes by the UNCTAD secretariat concerning resolution 6 (XI) on maritime liens and mortgages adopted on 22 October 1985 by the Working Group on International Shipping Legislation, and resolution 2 (II) on maritime fraud and piracy adopted on 1 November 1985 by the *Ad hoc* Intergovernmental Group to Consider Means of Combating All Aspects of Maritime Fraud, including Piracy, and endorsed the resolutions.

C. Economic co-operation among developing countries

(*Agenda item 7* (c))

REPORT OF THE COMMITTEE ON ECONOMIC CO-OPERATION AMONG DEVELOPING COUNTRIES ON ITS FOURTH SESSION

454. The *Chairman of the Committee on Economic Co-operation among Developing Countries at its fourth session*, introducing the report of the Committee on that session (TD/B/1083), held from 18 to 29 November 1985, expressed his firm conviction that Committee resolution 3 (IV) (*ibid.*, annex I) would give a new impetus to ECDC activities and contribute to the economic progress of the developing countries. Such co-operation would have positive effects on international economic relations, and he hoped that all concerned would adopt the measures necessary to ensure the rapid implementation of that resolution.

455. The spokesman for *Group D* (German Democratic Republic) stated that the socialist countries had, on the whole, made a positive assessment of the results of the fourth session of the Committee. Consideration of the question of ECDC in the Board and in UNCTAD generally must take account of the basic principles laid down in General Assembly resolution 1995 (XIX), in particular the principle of universality. It was also necessary to concentrate on the global and interregional aspects of ECDC so as to contribute adequately to the establishment of the new international economic order and, at the same time, avoid overlapping and parallelism with the work of other United Nations organizations. He considered that the work programme of the UNCTAD secretariat ECDC, despite its diversified and complex content, lacked direction in a number of important areas which might affect the formulation of a strategy of ECDC. He cited as an example the possible use of ECDC by TNCs of the developed market-economy countries in their own interests, and his Group considered that the UNCTAD secretariat should contribute to the assessment of that aspect. Group D also continued to hold the view that the UNCTAD secretariat should make use of the experience accumulated in co-operation and integration among the socialist countries with a view to fostering a more balanced approach to ECDC.

456. The spokesman for *Group B* (Belgium) said that, since 1976, when the terms of reference of the Committee on Economic Co-operation among Developing Countries had been established (Board decision 142 (XVI)), the Committee's work had been extensive. Both the report and resolution 3 (IV) of the Committee bore testimony to the considerable progress achieved in ECDC. He emphasized the contribution to be made by the non-governmental organizations towards ECDC, which should also be taken into account. Group B also attached importance to the principles highlighted in the report of the Committee. He praised the very good atmosphere in which the fourth session of the Committee had been conducted and expressed the hope that that atmosphere would prevail at future sessions of the Committee.

457. The spokesman for the *Group of 77* (Ecuador) shared the views expressed by the spokesman for Group B on the progress made at the fourth session of the Committee. The understanding reached in the Committee on the work programme on ECDC reflected the principles mentioned in the report of the Committee. She felt that the ECDC process required the understanding and co-operation of all member States in order to help developing countries to achieve collective economic self-reliance within the framework of the new international economic order.

Action by Sessional Committee I

458. At its 2nd meeting, on 11 March 1986, the Sessional Committee took note of the report of the Committee on Economic Co-operation among Developing Countries on its fourth session (TD/B/1083) and of resolution 3 (IV) adopted by the Committee (*ibid.*, annex I).

Consideration in plenary meeting

Action by the Board

459. At its 687th meeting, on 21 March 1986, the Board took note of the report of the Committee on Economic Co-operation among Developing Countries, endorsing the Committee's resolution 3 (IV).

D. Commodities

(*Agenda item 7* (d))

REPORT OF THE COMMITTEE ON COMMODITIES ON ITS ELEVENTH SESSION

460. The *Chairman of the Committee on Commodities at its eleventh session*, held from 2 to 13 December 1985, introducing the report of the Committee on that session (TD/B/1085), said that the Committee had reached agreement on the three major issues in the commodity field related to the implementation of the Integrated Programme for Commodities. The first issue concerned international action in pursuance of Conference resolution 155 (VI), in relation to commodities not covered by ICAs. The commodities concerned comprised 11 specified in the Integrated Programme (six agricultural commodities and five minerals and metals), and hides and skins. In its resolution 22 (XI), the Committee had agreed on steps to be taken with a view to the possible resumption of intergovernmental meetings on the commodities concerned or, in the case of hides and skins, the holding of an initial meeting as a forum for interested Governments. The Committee had requested the Secretary-General of UNCTAD to hold consultations with the principal and other interested producing and consuming countries of commodities in the Integrated Programme indicative list that were not yet covered by ICAs, with a view, if there was a perceived need, to convening or resuming *ad hoc* review meetings on those commodities, taking into account the specific characteristics and circumstances of each commodity, before the twelfth regular session of the Committee on Commodities and, in any event, before the seventh session of the Conference. Also, taking into account paragraph 7 of Conference resolution 155 (VI) and the ongoing work in FAO, the Committee had further requested that the Secretary-General of UNCTAD include hides and skins in his consultations. The Committee had requested the Secretary-General of UNCTAD to report to the Board at its current session on the progress of his consultations, in order to enable the Board to take appropriate decisions.

461. The second major task of the Committee had been to complete its examination, in close co-operation with the commodity councils concerned, of the role of ICAs negotiated or renegotiated within UNCTAD in attaining the objectives of the Integrated Programme. The Committee had pursued that task at its eleventh session on the basis of proposals submitted by the Group of 77 and Group B, and it had adopted certain conclusions, which were embodied in its decision 23 (XI). Those conclusions concerned the character and content of ICAs and were also of relevance to the Common Fund for Commodities.

462. The Committee had also considered, as a third major issue, the implementation of the Integrated Programme in the area of processing, marketing and distribution, including transportation, in pursuance of Conference resolution 156 (VI), and on that question it had adopted agreed conclusions 24 (XI). Those conclusions reflected a measure of agreement on the form or character of the envisaged frameworks of international co-operation, and on the initial arrangements for the continuation of intergovernmental attention. The Committee had agreed that the frameworks for processing, marketing and distribution should be mutually acceptable principles for international co-operation of a global character, but specific to the commodity sector and elaborated with the aims of expanding in developing countries the processing of primary commodities and their export and of increasing the participation of developing countries in the marketing and distribution, including transportation, of commodities of export interest to them. The principles would serve to guide Governments in the above-mentioned fields. It was recognized that, in elaborating the elements of the frameworks, the question of criteria would play an important role. The Committee had agreed that the question of frameworks should be pursued on the basis of the proposals presented by regional groups at the second special session of the Committee,[24] held from 21 to 25 January 1985 taking into account the views expressed by groups and delegations at its eleventh session. To that end, the Committee had agreed to recommend the establishment of a working party—which would meet before the twelfth regular session of the Committee and would report to it—to continue the examination of the area of technical assistance and human resources development begun at the eleventh session.

463. He said that the Committee had also begun to review its work programme but it had been unable, for lack of time, to complete its discussion on it and had therefore decided that at its twelth session it would pursue the matter, including a proposal made by Group B (see TD/B/1085, annex II).

464. The *Director of the Commodities Division*, reporting on the consultations held in pursuance of Committee resolution 22 (XI), said that consultations had begun on bauxite, copper, manganese, phosphates, bananas, cotton, hard fibres, hides and skins, and tea. With the exception of bananas, the secretariat had not yet, for any of the commodities concerned, completed the first stage of the consultations, which consisted in ascertaining whether there was, in the view of principal producing countries, a perceived desire to pursue the search for some form of international co-operation. The reason for that was that most countries were still await-

[24] See *Official Records of the Trade and Development Board, Thirty-first Session, Supplement No. 2* (TD/B/1041).

ing instructions from their capitals or were still in the process of consulting among themselves. The secretariat would continue its consultations to obtain the views of the principal producing countries, as well as of the producing countries as a group, and would then hold consultations with both principal and interested consuming and producing countries to determine, on a case-by-case basis, the perceived need among both groups for the convening or resumption of *ad hoc* meetings on the commodities listed. The secretariat would report to the Board at its thirty-third session on the outcome of the consultations and any follow-up action.

465. He said that the consultations on bananas had shown that the major producing countries had expressed a desire to convene a second preparatory meeting to continue the work on developmental measures initiated at the First Preparatory Meeting on Bananas. Some major consuming countries had expressed their agreement with that proposal, while others were still awaiting replies from their capitals.

466. The spokesman for the *Group of 77* (Ethiopia) said that, as could be noted from the report of the Committee on Commodities, it had been possible to make some progress on some of the items on the Committee's agenda. Further progress would now depend on the follow-up action taken on resolutions and understandings reached on commodities not covered by ICAs and the implementation of frameworks in the area of processing, marketing and distribution, including transportation. The statement by the Director of the Commodities Division on progress in the consultations held in pursuance of Committee resolution 22 (XI) was encouraging in that, despite the short time available, the secretariat had been able to hold consultations on most of the commodities concerned. For bananas, the major producing countries had expressed a desire to convene a second preparatory meeting on bananas to continue the work on developmental measures. He hoped that the major consuming countries would also go along with that desire.

467. On the question of frameworks for the processing, marketing and distribution of commodities, he asked what plans the secretariat had for the working party on processing, marketing and distribution, the establishment of which had been recommended at the eleventh session of the Committee on Commodities in paragraph 2 of agreed conclusions 24 (XI). He also asked the secretariat to give further information about the work on synthetics and substitutes, as well as on non-commercial stockpiles of commodities.

468. He said that the crisis in commodity markets was not abating. Commodity-producing countries were facing tremendous problems, and it was in the interest of both producing and consuming countries that those problems should be solved. Governments should not leave it solely to the UNCTAD secretariat to propose solutions, but should take initiatives of their own to achieve a more action-oriented implementation of the Integrated Programme for Commodities.

469. The representative of *China* welcomed the agreements reached at the eleventh session of the Committee. He also noted that 90 countries had now ratified the Agreement Establishing the Common Fund for Commodities,[25] which would support the Integrated Programme for Commodities. That Agreement could not, however, enter into force, since the countries that had ratified it accounted for only 58.87 per cent of the capital. Having ratified the Agreement, China hoped that it would enter into force soon so that it could play its intended role in the implementation of the objectives of the Programme and the support of the ICAs. He urged countries, in particular the big Powers, which had not yet ratified the Agreement to do so as soon as possible.

470. The spokesman for *Group D* (German Democratic Republic) said that definite progress had been made at the eleventh session of the Committee and he hoped that the recommendations in its decision 23 (XI) regarding the character and content of ICAs would be carefully studied by all countries and that they would be implemented in practice. However, Group D was not satisfied with the outcome on processing, marketing and distribution of commodities and still held the opinion that success was not possible unless that subject was discussed in close conjunction with the role played by TNCs. In the view of his Group, it would be necessary to activate the work of the secretariat in that direction to obtain practical results from the discussion of that matter in the Committee.

471. As for the progress made with the consultations on commodities not covered by ICAs, he believed it was essential to accelerate the completion of that task. With regard to the work programme of the Committee on Commodities, he proposed the strengthening of the central role of UNCTAD in all matters relating to commodities, as well as of the co-ordinating task of the Committee. Since the results so far in implementation of resolutions and decisions adopted by consensus on commodities might be rather meagre and the commodity crisis was so serious, the responsibility of UNCTAD for the adoption and implementation of concrete measures in that field in the interests of all parties concerned was all the greater.

472. The representative of *Brazil* expressed serious concern at the failure of the recent negotiations on the fourth International Cocoa Agreement. The failure to reach an agreement would be harmful not only to the economy of cocoa-exporting countries but also to international commodity trade in general. The refusal to accept essential elements of a commodity agreement and the maximalist attitude of some consuming countries had thwarted the efforts of those who really had been interested in concluding an agreement. Unfortunately, the failure of the United Nations Cocoa Conference was not unique. The so-called free-trade approach had been defended in every commodity forum and certain industrialized countries had been doing everything in their power to question and to weaken ICAs in a period when commodity prices were on the decline. At the same time, those very countries were adopting special schemes, sustained by huge financial resources, to support domestic prices—a practice which impeded the structural adjustment of their economies. Thus it was that the champions of the free market, who were ever advising the commodity-producing countries to stick to free-market

[25] See footnote 6.

rules and who were given to labelling ICAs as interventionist, market-distorting instruments that ought to be dismantled, were themselves establishing barriers and market-distorting instruments that were harmful to developing countries.

473. Referring to decision 23 (XI) of the Committee on Commodities, which had been adopted in the context of Conference resolution 93 (IV), he said that the decision was being subjected to a partial reading and interpretation by some consuming countries—interpretations which were not consistent with the complete text of decision 23 (XI). Any reference to automatic or semi-automatic provisions concerning the adjustment of price levels should be read in the full context, taking into account the elements enumerated in Conference resolution 93 (IV), as stated in Committee decision 23 (XI). The concept of automatic or semi-automatic provisions was difficult to accept when there was great instability of exchange rates among the main currencies. Moreover, automatic or semi-automatic provisions would prevent the sovereign decision-making bodies established by ICAs from taking decisions based on a clear evaluation of all factors and on a proper consideration of the differences of trade patterns among all countries.

474. The spokesman for the *Latin American Group* (Cuba) said that, despite the intensive work on commodities in UNCTAD during 1985, the results were not up to the expectations of the developing countries and their problems remained unsolved. Protectionism, increasing subsidies, manipulation of markets and the ever-increasing use of synthetics and substitutes were weakening markets and causing a marked fall in commodity prices, with disastrous consequences for developing countries that relied on those commodities. The commodity crisis had been aggravated by the lack of political will on the part of some developed countries, which were disregarding the commitments they had made in UNCTAD and other forums. They were increasing their use of substitutes for cocoa and sugar, to mention only two of the commodities of vital importance to countries of the Latin American Group. At the same time, commodity production in developed countries was increasingly subsidized—sugar was a prime example—so that the developed countries' products were competing unfairly with exports from developing countries, causing distortion and uncertainties on the market and leading to drastic price reductions.

475. She considered that the recent interruption of the United Nations Cocoa Conference illustrated the lack of political will on the part of consuming countries to conclude an agreement with equitable economic provisions. Producing countries had shown a readiness to co-operate and had been ready to forgo many of their aims in order to reach an agreement. The just demand of the producing countries that price levels be guaranteed, in accordance with Conference resolution 93 (IV), should be accepted by the consuming countries. The latter should take into account that the producing countries depended largely on export earnings from cocoa for their development and for service of their debts.

476. She said that the Latin American Group was deeply concerned at the tendency among consuming countries towards partial interpretation of Committee decision 23 (XI). Adopted texts had to be applied integrally and not partially or selectively, as had repeatedly been done with decision 23 (XI) and Conference resolution 93 (IV).

477. On the consultations undertaken in pursuance of Committee resolution 22 (XI), she was pleased to note that progress had been made on bananas. It was, however, necessary to give added impetus to those consultations so that a second preparatory meeting on bananas could be convened. She therefore urged those consuming countries that were still awaiting responses from their capitals to act quickly.

478. She pointed out that the cumulative loss in export earnings of developing countries, together with high interest rates, had considerably aggravated those countries' difficulties in servicing their external debt. For Latin American countries, debt-related payments in 1986 could reach 34 per cent of their export income. The increase in export income of developing countries which would result from orderly markets and fair price levels would thus also benefit developed countries, since it would enable developing countries to meet their international financial obligations.

479. She said that the failure of the Cocoa Conference reflected the attempts of some Group B countries to move backwards on commodities, at a time when almost all commodities suffered from falling prices. The situation called for political will on the part of developed countries to give a new impetus to co-operation in commodities. That political will had to be shown now, during preparations for the seventh session of the Conference, so that the Conference could achieve concrete results, thereby making the attainment of equitable price levels possible, facilitating the further processing of commodities in developing countries and strengthening the mechanisms of the Integrated Programme. Above all, political will had to be shown by those countries on whose action depended the entry into force of the Common Fund.

480. The representative of *Colombia* said that he shared the views expressed by the representative of Brazil and his concern about the partial way in which some consuming countries had been interpreting Committee decision 23 (XI), as had also been clearly pointed out by the spokesman for the Latin American Group in her statement on the item.

481. The *Director of the Commodities Division*, responding to a question posed by the spokesman for the Group of 77, said that the secretariat's preparations for the working party on frameworks were under way and that progress on the matter would be reported at the consultations of the Secretary-General of UNCTAD at an appropriate time. It was understood that the working party would confine its work at that stage to the single item of technical assistance and human resources development. The date for the session of the working party would be set during the current session of the Board.

Action by Sessional Committee I

482. At its 2nd meeting, on 11 March 1986, the Sessional Committee took note of the report of the Com-

mittee on Commodities on its eleventh session and of the resolution, decision and agreed conclusions therein.

Consideration in plenary meeting

Action by the Board

483. At its 687th meeting, on 21 March 1986, the Board took note of the oral report by the representative of the Secretary-General of UNCTAD on the consultations held in pursuance of resolution 22 (XI) of the Committee on Commodities (paras. 464 and 465 above) and of the report of the Committee on Commodities on its eleventh session (TD/B/1085) and its resolution 22 (XI), decision 23 (XI) and agreed conclusions 24 (XI) (*ibid.*, annex I).

E. Medium-term plan and programme budget

(*Agenda item 7* (e))

Operational activities for development

(*Agenda item 10* (a))

(i) REPORT OF THE WORKING PARTY ON THE MEDIUM-TERM PLAN AND THE PROGRAMME BUDGET ON ITS TENTH SESSION

484. The *Chairman of the Working Party on the Medium-term Plan and the Programme Budget at its tenth session*, held from 14 to 18 October 1985, introduced the report of the Working Party on that session (TD/B/1079) and summarized the results of the deliberations. The Working Party had considered the implementation and financing of technical co-operation activities in UNCTAD, programme evaluation in UNCTAD, and the questions of economies and redeployment in the secretariat, and had arrived at a number of important agreed conclusions, which were contained in annex I to the report. One outcome of the session had been to strengthen the role of the Working Party as an instrument for increasing the transparency of the activities of the secretariat and for promoting a dialogue between the Governments of member States of the secretariat on the management of resources of the secretariat.

Action by Sessional Committee I

485. At its 3rd meeting, on 12 March 1986, the Sessional Committee took note of the report of the Working Party on the Medium-term Plan and the Programme Budget on its tenth session (TD/B/1079).

(ii) REPORT OF THE WORKING PARTY ON THE MEDIUM TERM PLAN AND THE PROGRAMME BUDGET ON ITS ELEVENTH SESSION

486. The *Chairman of the Working Party on the Medium-term Plan and the Programme Budget at its eleventh session*, held from 24 to 26 February 1986, introducing the report on that session (TD/B/1089), stated that the Working Party had been able successfully to deal with the three main issues before it: namely (*a*) the review of the updating of the UNCTAD section of the United Nations medium-term plan for 1984-1989; (*b*) economies in the UNCTAD secretariat; and (*c*) the provisional agenda for the twelfth session of the Working Party, on which an agreement had been reached. On the question of economies, the Working Party had requested the UNCTAD secretariat to make further efforts and to take into account various suggestions made by members of the Working Party in that regard. He pointed out that the Working Party had concluded its work in less time than had originally been allotted to it, thus setting an example of efficient use of resources which could serve as a guide for future UNCTAD meetings.

Action by Sessional Committee I

487. At its 3rd meeting, on 12 March 1986, the Sessional Committee took note of the report of the Working Party on the Medium-term Plan and Programme Budget on its eleventh session (TD/B/1089).

(iii) OPERATIONAL ACTIVITIES FOR DEVELOPMENT (*agenda item 10* (a))

488. The *Chairman* recalled that, in its resolution 40/211 of 17 December 1985, the General Assembly had invited the "governing bodies of the organizations of the United Nations system, where possible, to provide the Economic and Social Council at its second regular session of 1986 and the General Assembly at its forty-first session, at the time of the 1986 comprehensive policy review of operational activities, their views on the system-wide policy issues affecting operational activities". Those policy issues, as identified by the General Assembly, were listed in the note by the UNCTAD secretariat (TD/B/L.792).

489. The spokesman for *Group D* (German Democratic Republic) requested the secretariat to provide some background information on the invitation of the General Assembly and on the type of action required of Sessional Committee I and, subsequently, of the Board.

490. The *Chief of the Technical Co-operation Service* said that some of the issues identified by the General Assembly had already been discussed during the ninth session of the Working Party on the Medium-term Plan and the Programme Budget. Within the United Nations system the same issues were the subject of in-depth discussions in the context of the Inter-Agency Consultative Meeting, which was an informal advisory mechanism to UNDP, or in the context of the Consultative Committee on Substantive Questions (Operational Activities), which reported to the Administrative Committee on Co-ordination. However, the General Assembly wanted to benefit from the views of the Governments themselves through the governing bodies of the various United Nations organizations. Among the issues listed in the General Assembly resolution was the question of the changing requirements for technical co-operation through multilateral channels, under which were to be considered such crucial problems as debt management, the relationship between emergency assistance and longer-term structural changes, the optimum mix between capital assistance and technical assistance, and the whole problem of human resources development. Other important system-wide policy issues included the overall co-ordination of operational activities at the country

level; effectiveness, which was linked to evaluation; tied assistance; and geographical distribution of project inputs.

491. The representative of the *United Nations Development Programme*, observing that several issues listed in General Assembly resolution 40/211 referred to aid co-ordination and to the role of UNDP in the provision of technical co-operation, said that the process of country programming introduced in 1972 had been successful especially in countries where UNDP was one of the principal sources of development assistance. In 1983, UNDP had been among the three major donors in some 20 developing countries. More generally, the UNDP Governing Council had invited Governments to make increasing use of the country programming process as a frame of reference for the co-ordination of technical co-operation activities funded from non-UNDP sources. He also described the co-ordination mechanism applied specifically in the least developed countries in the context of the Substantial New Programme of Action for the 1980s for the Least Developed Countries.[26] That mechanism, which had recently been strengthened in close co-operation with UNCTAD, consisted of round-table conferences which were now articulated in five successive phases, namely macro-economic assessment of needs, informal preparatory missions to major donors, conference of major donors, national consolidation conference, and enhancement of development administration.

492. The representative of *Bangladesh* said that the inadequacy of resources for operational activities was the core of the problem. There was a need for significantly expanded multilateral concessional flows in real terms and on a continuous, predictable and assured basis for achieving meaningful improvement in that area. He was also concerned at the trend on the part of donors towards tying their contributions to operational agencies for the procurement of goods and services in the donor countries. Many of the donor countries were seeking to direct development plans of the recipient countries through the pursuit of certain funding modalities, thus creating additional problems for an efficient use of resources. In his opinion, a full implementation of General Assembly resolution 38/171, which called for higher cost effectiveness and greater use of the capacities of the developing countries, would significantly contribute to the attainment of the twin objectives of optimum use of resources and of acceleration of the development process in the recipient countries. Informal co-ordination of operational activities at the country level and at the global level was very necessary. While recognizing the positive role of resident co-ordinators in that regard, further improvement was called for, especially in trying to ensure that technical assistance activities conformed better to particular needs of individual developing countries and that there was greater transparency at all levels among the agencies and the Governments. He hoped that the next review of the operational activities for development would give more attention to ECDC/TCDC activities in the United Nations system, as those activities would accelerate the process of development in developing countries and would be an extremely useful complement to North-South co-operation.

493. Referring to the organization of round-table conferences for the least developed countries, he noted with appreciation the efforts being made by UNDP, in consultation with UNCTAD, to improve that mechanism. He hoped that the new system introduced in 1985 would result in increased assistance for the implementation of the plans and programmes of the individual least developed countries. He also recalled his delegation's support for the proposal to promote greater participation of women in development and to ensure that adequate steps were taken in that direction by the United Nations organizations engaged in operational activities.

494. The representative of *Egypt* said that in-depth studies of the various policy issues listed in General Assembly resolutions 38/171 and 40/211 would be needed before concrete recommendations could be made to the General Assembly. One important aspect was the process of improvement of the round-table conferences in the least developed countries, which was described in UNDP paper[27] submitted in the context of the mid-term review of the Substantial New Programme of Action.

495. While reserving the right of his country to make more detailed and, possibly, additional comments on the subject, he pointed out some of the aspects of operational activities which were of special interest to his delegation at that juncture. They included:

(*a*) The development of early warning systems that would ensure advanced prediction of economic and natural crises in order to achieve a timely mobilization of international aid;

(*b*) Studies on the determination of adequate criteria to ensure an optimum correspondence between technical assistance programmes and the economic and social characteristics of recipient developing countries;

(*c*) Diversification of sources of supply for technical assistance, especially with regard to the purchase of equipment, recruiting of experts, systems of contracts and venues for training programmes, bearing in mind the available capacities in developing countries;

(*d*) Studies on the advisability of evolving, in the context of round-table conferences for the least developed countries, a stable and objective system to better regulate the size and level of participation of donors and other parties concerned;

(*e*) Studies on different approaches towards the development of an adequate system to manage the external debt through a multilateral and generalized mechanism whereby the debt burden of developing countries could be alleviated;

(*f*) Encouragement of collaboration between resident co-ordinators of operational activities for development and the local authorities in the recipient countries. A broader co-ordinating role, however, must be secured to those national authorities when requested.

496. The *Chief of the Technical Co-operation Service* said that the suggestions made by delegations would be of immense value to the Economic and Social Coun-

[26] See footnote 5.

[27] TD/B/AC.17/26/Add.14.

cil and the General Assembly in their triennial review of operational activities for development. He hoped that more delegations would be given an opportunity to convey their views through the Board. He also gave a brief description of the system developed by the UNCTAD secretariat for the management of external debt, which could be used, *inter alia*, as an early warning system.

Action by Sessional Committee I

497. At its 7th (closing) meeting, on 21 March 1986, the Sessional Committee recommended that the Board adopt the draft decision submitted under agenda item 10 by the Chairman of Sessional Committee I (TD/B(XXXII)/SC.I/L.4).

Consideration in plenary meeting

Action by the Board

498. At its 687th meeting, on 21 March 1986, the Board took note of the reports of the Working Party on the Medium-term Plan and the Programme Budget on its tenth and eleventh sessions (TD/B/1079 and TD/B/1089, respectively) and agreed that the reports should be transmitted to the appropriate United Nations bodies for consideration.

499. At the same meeting, the Board, having taken note of TD/B/L.792, adopted draft decision TD/B(XXXII)/SC.I/L.4 (for the text, see decision 330 (XXXII)).

Chapter V

PROTECTIONISM AND STRUCTURAL ADJUSTMENT

(Agenda item 6)

Protectionism and structural adjustment and definitions and methodology employed in the UNCTAD Data Base on Trade Measures

500. Item 6 was referred to Sessional Committee II for consideration and report. The Committee had before it the following documents:

(*a*) A report by the UNCTAD secretariat on problems of protectionism and structural adjustment, part one of which is entitled: "Restrictions on trade and structural adjustment" (TD/B/1081 (Part I)); and part two entitled "Trends in production and trade in all sectors and their underlying factors"(TD/B/1081 (Part II));

(*b*) A report by the UNCTAD secretariat entitled "Problems of agro-industrial production and trade" (TD/B/1086 and Corr.1);

(*c*) A note by the UNCTAD secretariat (TD/B/1087 and Add.1-4) containing information provided by States members of UNCTAD for the annual review by the Board on protectionism and structural adjustment;

(*d*) The report of the Intergovernmental Group of Experts on Definitions and Methodology Employed in the UNCTAD Data Base on Trade Measures (TD/B/1088).

501. The *Director of the Manufactures Division*, introducing the documentation for the item, indicated that there had been no generalized move to halt the spread of protectionist measures through the implementation of and adherence to the standstill or roll-back provisions accepted by the developed countries in Conference resolution 59 (VI). Despite improved economic performance, structural problems in developed countries had exacerbated protectionism. He underlined the benefits for the international community as a whole of trade liberalization in favour of developing countries, as shown by the findings of the UNCTAD Trade Simulation Model. He stressed the essential need for developing countries to develop some critical service activities that could enhance their competitiveness in manufacturing and other areas and increase export earnings from trade in services.

502. With regard to agricultural problems, he said that a number of developed countries had pursued protectionist policies to the detriment of the interests of other trading nations. He highlighted the difficulties of sub-Saharan Africa and the least developed countries in developing agro-industries and underlined the need for support by the international community for those countries. After having analysed forces at work and factors underlying structural change, protectionism and structural adjustment, he emphasized the need for public awareness of the overall benefits of liberalization and advocated institutional reform in member States which would allow for an objective evaluation of the costs and benefits of protection, including their international dimensions, and in particular of the need to increase exports of developing countries. It was to be hoped that long-standing commitments could be translated into concrete actions leading to overall economic development, especially the accelerated development of developing countries.

503. The *Chairman of the Intergovernmental Group of Experts on Definitions and Methodology Employed in the UNCTAD Data Base on Trade Measures*, introducing the report of the Intergovernmental Group (TD/B/1088), said that the Group had been convened pursuant to Trade and Development Board decision 310 (XXX) to examine the questions of definitions and methodology employed in the UNCTAD Data Base on Trade Measures. The work of the Group was expected to assist the Board in addressing the question of dissemination of the inventory on non-tariff barriers, preferably at the Board's current annual review on protectionism and structural adjustment.

504. The Group, which met from 3 to 7 February 1986, had held four plenary meetings and several private, informal meetings. Discussions had taken place on a number of subjects, namely the objectives, coverage of the Data Base, sources used, verification of accuracy of information, use of the Data Base, definitions and homogeneity of content, the aim being to improve the Data Base.

505. He drew the attention of the Committee to a summary (annexed to the report of the Group) which he had provided at the close of the meeting of the Group in his capacity as Chairman, under his own responsibility, as well as to separate group statements, which were reflected *in extenso* in the report of the meeting. Although lack of time had prevented the Intergovernmental Group from reaching agreed conclusions on the summary, he trusted that the Board would accept his summary as representing the basic thrust of the work of the Group.

506. He also drew the attention of the Committee to the following points in his summary which he considered to have been the subject of general agreement in the Group:

(*a*) The Intergovernmental Group of Experts had taken note of the progress made in the work on the Data Base on Trade Measures, in particular with respect to expanding its country coverage and updating the information compiled in it. The Group had noted the co-operation of member States in verifying the information in the Data Base.

(*b*) There had been an exchange of views on various aspects of questions related to definitions. The Group had noted that the secretariat was compiling information on trade measures in a factual and objective manner, without any judgement being made with regard to the measures' actual effects on trade or their purpose or legality in terms of domestic or international laws; in that respect, he reported to the Committee that all regional groups were of the view that the secretariat should continue to compile data on that basis.

(*c*) There was an understanding that in its current form the Data Base was a valuable source of information on conditions of market access, although some delegations felt that further consideration should be given to more extensive use of the Data Base.

(*d*) The Group had appreciated the approach of using all available official sources, including those at the national level. Consideration had been given to the possible expansion of the coverage of measures. With respect to geographic coverage, there was general agreement on the need to expand the number of countries in the Data Base, as well as the information on countries currently covered in it. The Group had emphasized the need to cover all countries in respect of measures of both a product-specific and a general nature, using the same approach as far as possible for all countries.

507. He believed that the Trade and Development Board, in its current annual review of protectionism and structural adjustment, should take note of the continuing work of the secretariat to bring the information in the Data Base up to date, as agreed in Board decision 310 (XXX), taking into consideration the comments of the Intergovernmental Group of Experts.

508. The spokesman for the *Group of 77* (India) said that the question of protectionism and structural adjustment was central to the theme of trade and development. It had been at the centre stage of discussions, review and negotiations since the fifth session of UNCTAD, and the question of structural adjustment had been addressed from an earlier date. The deliberations on the subject had acquired a sharper focus when the Board, at its twenty-second session, had decided, in resolution 226 (XX) to establish a sessional committee to carry out the annual review in terms of the mandate contained in Conference resolution 131 (V). The first such annual review had taken place at the twenty-fourth session of the Board in March 1982.

509. The subject of protectionism and structural adjustment had been addressed in depth at the sixth session of the Conference in 1983, along with the question of the work programme for future annual reviews. In its resolution 159 (VI), the Conference had reaffirmed the commitments entered into on standstill and roll-back and had called upon the developed countries to fulfil effectively their commitments in the field of international trade. It had also called upon the developed countries to review their existing trade legislation, regulations and procedures relating to anti-dumping and countervailing duties in order to assure themselves that there were no unjustifiable impediments to the trade of other countries, in particular to that of the developing countries, and to take remedial action as appropriate. It had further provided that the Board should follow closely the ongoing work in GATT on a comprehensive understanding on an improved and more efficient safeguard system to be based on the principles of the General Agreement and that it should assist developing countries to participate fully in the Conference. It had visualized that the annual review should concern itself with monitoring the implementation of the resolution and, where necessary, should lead to formulation of appropriate recommendations concerning the general problems of protectionism. It had further recognized that the special problems of the least developed countries should be kept in view while undertaking those tasks and special attention should be paid to their needs.

510. With regard to structural adjustment, the Conference had provided for the continuation of the annual review of patterns of protection and trade in the world economy, the intention being to provide a forum for discussion of the experience of member countries with regard to structural adjustment and also to review and monitor trade developments and, where appropriate, make general policy recommendations.

511. The question of the elaboration of work programme elements had been further addressed by the Board at its twenty-eighth session. In its resolution 286 (XXVIII) the Board had decided that the annual review should give consideration, *inter alia*, to:

(*a*) Policies and ways and means to facilitate structural adjustment;

(*b*) Identification of trends in all factors important to the structural adjustment process;

(*c*) Strengthening the participation of developing countries in agro-industrial production and trade;

(*d*) Special problems and needs of the least developed countries.

512. The questions of the mechanism and the elaboration of the work programme for the annual review had thus been engaging the attention of the Conference and the Board for over five years, and the second annual review had therefore taken place only in March 1985 at the thirtieth session of the Board.

513. He considered it useful to recall the background to the current review in order to put in proper perspective the work done so far by way of implementation of the relevant Conference resolutions and Board decisions and to remind the Committee of the basic objectives of those resolutions and decisions and the direction in which the work of implementation should proceed.

514. The current session of the Trade and Development Board was particularly significant in that it provided an important opportunity before the seventh session of the Conference not only to review the state of implementation of the earlier resolutions and decisions but also to provide a fresh impetus to concrete action in pursuance of the earlier decisions. The subject had acquired special significance in view of the parallel developments which were taking place in other forums, for example the work of the Preparatory Committee in GATT set up to determine the objectives, subject matter and modalities for the MTN and the ongoing discussions on the future of international trade in textiles and clothing.

515. He expressed appreciation for the documentation prepared by the secretariat to facilitate deliberations on the agenda item under discussion. He noted with satisfaction that the UNCTAD Data Base on Trade Measures had proved of considerable use in that regard. The Group of 77 also appreciated the simulation model developed by the secretariat to demonstrate the quantitative impact of trade liberalization.

516. In the view of the Group of 77, the documentation prepared by the UNCTAD secretariat for the current session of the Board and on earlier occasions on the topic under discussion had brought out clearly the widening hiatus between the commitments made and their implementation. Lack of adequate and co-ordinated policy measures in the industrialized countries in the related areas of money and finance had aggravated pressures for protectionism, and the emergence of economic recovery in some industrialized countries had not led to any perceptible abatement of those pressures. Protectionist measures had continued to be applied in sectors of crucial importance to developing countries such as agriculture, steel, textiles and clothing, leather and footwear, and petrochemicals, and what was even more disturbing was that in some sectors protectionist measures had been further intensified.

517. He drew attention to the increasing incidence of anti-dumping and countervailing duty investigations in major developed-country markets against imports originating from developing countries. Although those actions were ostensibly initiated to counteract alleged unfair trade practices, more often than not they led to harassment and disruption of trade. Although Conference resolution 159 (VI) called upon the developed countries to review their existing trade legislation, regulations and procedures relating to anti-dumping and countervailing duties with a view to removing impediments to the trade of developing countries, the latest evidence suggested that, in some cases, legislation and procedures had been amended so as to widen their scope of application even beyond the multilaterally agreed principles and concepts, giving rise to legitimate apprehension about further adverse effects on exports from developing countries.

518. In its resolution 159 (VI), the Conference had recognized the need for a comprehensive understanding on safeguard measures based on the principles of the General Agreement. The importance of evolving such an understanding could not be over-emphasized, particularly from the viewpoint of the developing countries which constituted the weaker trading partners. The Group of 77 considered that little progress had been made so far towards the fulfilment of that objective. On the contrary, there had been increasing resort to "grey area" measures such as voluntary export restraints, orderly market arrangements, export forecasting and basic price systems by the major trading partners. Such measures continued to erode the multilateral trading system.

519. Institutionalized discriminatory restrictions against developing countries in international trade in textiles and clothing had continued for over two decades, and the existence of those arrangements constituted a most serious breach of the fundamental principle of unconditional MFN treatment. The protectionist pressures in the developed importing countries had intensified in the recent past in the sector in question and had at times led to further derogations from the rules and norms of the Multifibre Arrangement, which was itself a derogation from the rules and principles of the General Agreement. Evidence was not lacking to show that the continued existence of such an arrangement gave rise to increasing pressures for similar arrangements in other sectors such as steel, footwear, leather, petrochemicals and consumer electronics. Unless those tendencies were arrested in time, the international trading system would become a web of market-sharing arrangements rendering irrelevant the rules of non-discrimination and comparative advantage.

520. The work programme agreed upon at the twenty-eighth session of the Board in April 1984 (resolution 286 (XXVIII)) required that, in the annual review, attention should be given to strengthening the participation of developing countries in agro-industrial production and trade. The secretariat report (TD/B/1086 and Corr.1) clearly brought out the need for reinforced international co-operation to strengthen agricultural and agro-industrial production in developing countries and increased market access for their agro-industrial products. The market shares of developing countries in most agro-industrial products (raw and processed products combined) imported by developed market-economy countries had declined, particularly in respect of cotton, cocoa, sugar, rubber, meat, copra and jute. In particular, the African countries, in the food and agriculture sectors, had experienced negative growth in production and stagnation in exports. Two areas of trade-policy measures had crucial significance from the point of view of strengthening the participation of developing countries in agro-industrial production and trade. First, the tariff escalation and the intensification of non-tariff measures at higher stages of processing practised by the developed importing countries had hampered the development of higher value added export-oriented production. Secondly, resort to large-scale subsidization of agricultural and agro-based production had proved detrimental to the development of agricultural and agro-based industry in developing countries. The market access available to developing country exporters of agricultural products had been seriously undermined by continued and heavy subsidization by major industrialized countries of their agricultural production and exports. The objective of strengthening the participation of developing countries in that area of production and trade could not be realized unless those problems were addressed squarely and appropriate trade policy measures formulated.

521. The two annual reviews of protectionism and structural adjustment that had taken place so far had been useful and had highlighted the continued problems faced by developing countries in international trade. Although those reviews had been geared to the objectives set out in Conference resolutions 131 (V) and 159 (VI), their approach and content had necessarily been conditioned by the broad mandates elaborated in Board resolution 226 (XXII), decision 250 (XXIV) and resolution 286 (XXVIII). If countries intended to reduce effectively the gap between commitments and action, ways and means should be considered of making the instrument of

the annual review more effective. It was necessary to devise a coherent framework for analysis of the situation and trends and for concrete action aimed at halting and rolling back protectionism and eliminating trade barriers.

522. The Group of 77 considered that the guidelines for the annual reviews should be refurbished and supplemented by the following:

(*a*) The reviews should concentrate on sector-specific analysis;

(*b*) The sectors to be chosen should be of particular export interest to developing countries;

(*c*) There should be continued identification of new product areas of interest to developing countries;

(*d*) The analysis should lead to the recommendation of concrete trade policy measures to be adopted by the developed countries.

In that context, the Group of 77 was of the view that the information contained in the UNCTAD Data Base on Trade Measures should be disseminated among member States as quickly as possible.

523. The mechanism for the formulation of recommendations and their implementation needed to be strengthened in order to facilitate concrete action. To that end he proposed the following elements as integral parts of a coherent framework for analysis and action:

(*a*) An intergovernmental group of experts should be set up to constitute an intersessional mechanism to address the task of carrying out sector-specific analysis based on secretariat documentation and formulating appropriate recommendations for action;

(*b*) Based on such recommendations, a time-frame for implementation of the recommendations should be agreed upon as part of the consideration of the annual reviews at the Board sessions;

(*c*) The annual Board sessions should provide a forum for monitoring and surveillance of the implementation of the actions agreed upon.

524. A coherent and concrete plan of action to implement the standstill and roll-back commitments in all sectors of trade of particular interest to developing countries was an essential prerequisite for any meaningful exercise on general trade liberalization. Such action alone would build confidence in the multilateral trading system. Without such action, the work in the area of protectionism and structural adjustment would continue to remain at the level of general analysis and would lack credibility.

525. The Group of 77 believed that the essential elements of such a plan of action were:

(*a*) The solemn commitment undertaken by developed countries to halt protectionism by fully implementing and strictly adhering to the standstill provisions in all sectors of trade concerning imports from developing countries should be reaffirmed. That long-standing commitment should be implemented without further delay.

(*b*) The commitment undertaken by developed countries to work systematically towards reducing and eliminating quantitative restrictions and measures having similar effects in relation to products exported by the developing countries should be reaffirmed.

(*c*) A short and definite time-frame should be agreed upon by developed countries to roll back, in all sectors of trade, protectionist measures not consistent with or outside the framework of the non-discriminatory and open multilateral trading system.

(*d*) The current trade régime in textiles and clothing should be liberalized in terms of the removal of discriminatory restraints by developed importing countries, as well as its phase-out within an agreed time-frame under strengthened GATT discipline.

(*e*) Developed countries should refrain from subsidizing exports of agricultural products competing with the exports of developing countries. Tariff escalation and intensification of non-tariff measures at higher stages of processing of agricultural and agro-based products should be avoided so as to encourage development of higher value added export-oriented production in developing countries.

(*f*) The special problems of the least developed countries should be kept in view and special attention should be paid to their needs.

(*g*) A collective commitment should be undertaken by all countries to negotiate, on a priority basis, a comprehensive agreement on safeguards based on the principle of non-discrimination.

(*h*) The Board should reach an agreement on establishing a coherent framework for analysis and action, as elaborated in paragraphs 522 and 523 above.

526. The spokesman for *Group B* (Australia) said that the general setting of the global trading environment on the whole gave some cause for optimism by comparison with the period before the sixth session of the Conference but was not without difficulty. The expansion of world trade that had become very evident in 1984 had continued into the present, though at a more moderate pace. Of course, as was normal in a dynamic trading environment, the rate of growth remained uneven. Although a number of countries in the region of Asia and the Pacific had received a strong stimulus from the upturn in economic activity in North America, other economies, including many in Western Europe and large parts of the developing world, had not responded to the same extent.

527. Over recent months there had been marked falls in the price of oil. Although that would affect the revenues of oil-exporting countries, it could reasonably be expected that, depending on the duration of lower prices, oil-importing countries would receive a positive stimulus from those developments.

528. Noting that the commodities sector over the preceding few years had in many cases been marked by structural over-supply and low prices, he indicated that the price evolution of certain commodities was to a large extent a reflection of significant change in the structure of supply and demand. Group B was aware of the fact that for countries dependent on commodity export earnings, including earnings from minerals, metals, agriculture and other natural resource commodities, and especially for those developing countries that had to service a burdensome debt, that remained an important preoccupation. That would also represent a recognition that the ef-

fects of structural adjustment in one sector had ramifications in others.

529. An open trading system was essential in allowing for and stimulating the flexible adjustment of economic structures and in making a positive long-run contribution to growth, employment and price stability beneficial to all countries. In that context, the proposed new round of MTN within GATT, which was to be launched by Ministers the following September, had created a new climate of awareness in many countries concerning the benefits to be derived from trade expansion and liberalization. It represented the best means for a further opening up of markets and the strengthening of disciplines within the trade sector with the widest possible participation and on the basis of mutuality of advantages. He expressed the firm belief that the new round would further break down the remaining trade barriers and that all countries would benefit from the process.

530. He noted that there had been an unfortunate tendency within UNCTAD to concentrate one-sidedly on perceived protectionist actions on the part of the developed market-economy countries. In all fairness, members of Group B would not claim that they were free of protectionist pressures. However, it was not insignificant that, despite the enormous domestic pressures within most Group B countries, positive developments to resist protectionism and in favour of trade liberalization in general and in favour of developing countries in particular had been achieved in the context of the standstill and roll-back exercise.

531. Group B was very aware of the necessity for adequate and effective structural adjustment policies, and Group B's record in the area of fostering structural adjustment had been a good one. In that connection, the general orientations of Group B were based on the presumption that a competitive market economy was normally the best mechanism to carry out responses to social, economic and technological change in the most flexible and least costly way possible. However, if markets failed to fulfil their functions satisfactorily, Governments had an important role to play if their intervention in the economic process could make a positive contribution to easing structural problems and overcoming market rigidities. In order to meet the economic challenges of the remainder of the decade and to encourage sustained economic growth, the policy of countries of Group B was to facilitate the expansion of efficient new activities and accept and ease the decline of those industries or activities facing structural problems. In that context, government assistance to structurally weak industries should be temporary and linked to the implementation of plans to phase out obsolete capacities and to re-establish financially viable enterprises and activities.

532. Much structural adjustment had been occurring in all sectors of the economy, particularly in sensitive sectors such as steel, textiles and motor vehicles. Some such adjustment had taken place in response to market forces, but many countries also had structural adjustment programmes in place to encourage the process. It was true, though, that no matter how expensive those structural adjustment programmes were to those who were implementing them or how traumatic they could be to the work-force affected by them, they lacked the immediate attraction of a protectionist action to outside commentators.

533. With respect to the reports prepared by the UNCTAD secretariat, TD/B/1081 (Part I) was the best of the three documents and represented an improvement over previous years. He welcomed the effort by the UNCTAD secretariat to make a serious contribution to the debate on protectionism and structural adjustment, indicating, however, that there was unmistakably more room for improvement. For the document in question, Group B did not necessarily share the assumptions on which the UNCTAD trade liberalization model was built nor the contents of the data base on which the trade simulation exercise was carried out. Hence, they might also question the conclusions it offered. The prospective benefits to be derived from trade liberalization, according to the model, were therefore somewhat unrealistic. The secretariat's analysis might be interesting from an academic point of view, but the reality was that unilateral trade liberalization, of the kind envisaged by the paper, was not attainable. Indeed, some of the conclusions appeared to be overly simplistic and did not take into account the prospective distribution of benefits among exporters of manufactures.

534. The discussion on counter-trade in the document in question greatly simplified the motivations which might be behind the recourse to such operations in a short-term framework. Such recourse to counter-trade was not a trend Group B would encourage because of its effects on the open multilateral trading system and its encouragement of bilateralism.

535. Document TD/B/1081 (Part II) was more difficult to assess. It clearly contained some interesting ideas, but they did not all seem to be well connected and some did not easily fit into the agenda item under discussion. Much of the data used to analyse the manufacturing sector was rather out of date. Group B welcomed an attempt to have a discussion on services in the development process, and there was agreement that UNCTAD had a role to play in the context of such a discussion. However, in many cases the literature which had been surveyed and summarized by the secretariat did not in fact reach the same conclusions as did the secretariat itself in its report. Indeed, the conclusions in the document in question, especially the kind that made judgements on the relative importance in the growth process of services in developed and developing countries, did not flow from the analysis presented. Group B was also surprised that not only the principle of comparative advantage appeared to come in for criticism but also the report's conclusions on comparative advantage and its role in the structural adjustment process seemed to be inconsistent.

536. Document TD/B/1086 and Corr.1 was disappointing and little needed to be said about it. The report was intended to deal with the problems of strengthening the participation of developing countries in agro-industrial trade, with special attention to Africa and the least developed countries. Although the subject matter was very important, the paper trotted out the tired old arguments and allegations about transnational corporations and unfortunately did not advance understanding of the issues.

537. Group B was concerned about a twofold lack of balance in the UNCTAD secretariat's analysis. One was that the predominant focus continued to be on actions and policies of Group B member countries. The other was the emphasis on the EEC, Japan and the United States, which could be explained partly by their importance as major markets but which went beyond the general nature of the UNCTAD review on protectionism and structural adjustment. One-sided analysis did not help the policy-maker and it did not assist in the export of one additional product. It was a fact that, even in the more difficult recent years, a number of developing countries had achieved good results in international markets by virtue of the right mix of domestic and international policies. Group B supported future work in UNCTAD on protectionism and structural adjustment and suggested that UNCTAD could do much more for the developing economies by analysing carefully the success stories among them. Such examples provided good arguments against domestic pressures for protectionist action, and UNCTAD should devote some of its resources to such case studies.

538. One year earlier, the Board had decided that work on the Data Base on Trade Measures should continue, and to that end it had authorized the convening of an intergovernmental group of experts with a view to reaching a consensus on definitions and methodology to be employed in the UNCTAD Data Base (decision 310 (XXX)). In the meantime that expert group had met once, and there was no doubt that serious differences, particularly relating to definitions and methodology, remained to be resolved if the Data Base was to enjoy the confidence of all member States. By extension, of course, that had serious implications for any analysis, the documentation included, resulting from the Data Base. Group B believed that, if the work on the Data Base was done properly, with full and equal attention to member States belonging to all Groups, the exercise could be useful in increasing transparency in the trading system and assisting trade facilitation, complementary to similar efforts under way in other international organizations. To achieve that aim, a further meeting of the Intergovernmental Group of Experts should be considered on the basis of good preparation and leading to substantive technical discussion.

539. With regard to the statement made on behalf of the Group of 77, he emphasized that, at that stage, Group B did not consider that the last review of protectionism and structural adjustment before the seventh session of the Conference was an appropriate occasion for deciding on a new direction for UNCTAD's work in that area, especially as the secretariat already had a valid work programme dating from the Board's twenty-eighth session. If the discussion during the current session of the Board was to be useful, it would have to be on a basis different from that proposed by the Group of 77. UNCTAD had a role to play in furthering the prospects of growth and it should do so through balanced analytical work and discussion leading to a deeper understanding of protectionism, structural adjustment and trade liberalization among all its members, regardless of their stage of development or dominant economic system.

540. The spokesman for *Group D* (Hungary), speaking also on behalf of *Mongolia*, emphasized that, since the last review, a further deterioration had been witnessed in the international trading system. In spite of earlier commitments, protectionist measures had proliferated widely and had been further intensified, in many cases on a discriminatory basis.

541. The socialist countries continued to face protectionist measures and other kinds of restrictions, accompanied by a high level of discrimination. As was clearly shown in table 5 of TD/B/1081 (Part I), the import coverage ratios of selected non-tariff measures applied by the developed market-economy countries against socialist countries were in all but one case the highest ones, and that was in addition to the well-known problem of the tariff disadvantages of the socialist countries. For example, 44.1 per cent of food and live animals, 77.1 per cent of animal/vegetable oils, 59.2 per cent of iron and steel, 74.1 per cent of textiles, 58.1 per cent of clothing and 33.3 per cent of footwear imported by developed market-economy countries from socialist countries were subject to various non-tariff measures. Those figures spoke for themselves and clearly proved the socialist countries' legitimate and firm view that the reduction and elimination of protectionist and other non-tariff measures could and should be done only on an MFN basis, with strict observance of the principle of non-discrimination. Any other approach, in particular selective roll-back or elimination of existing barriers to market access, would further undermine the basic pillars of the already highly eroded trading system and was unacceptable to member countries of Group D, because it would only mean an intensification of discrimination against them and would be harmful for the expansion of international trade as a whole.

542. Group D countries believed that the new round of MTN could and should play an important role in general trade liberalization efforts. In that context they were of the view that those negotiations should be open to any interested country wishing to participate in them, as had been the case for the Tokyo Round.

543. It was also evident from the secretariat's study that one of the most seriously affected sectors was the agricultural one. Although the socialist countries appreciated the report on problems of agro-industrial production and trade (TD/B/1086 and Corr.1), they maintained that the secretariat should continue to study the general and specific problems of trade in agriculture, especially the effect of the agricultural policies of some developed market-economy countries or groups of countries on the interests of efficient traditional exporting countries.

544. With regard to structural adjustment, it was obvious that the delay in structural adjustment had led to increased protectionist pressures and measures, which themselves further delayed and hindered the necessary adjustment process. From the point of view of countries having competitive advantages, the protectionist measures had led to the narrowing of markets for their exports, created a high degree of uncertainty in their trade and impeded the realization of the structural adjustment process in their own countries as well.

545. As far as the socialist countries were concerned, considerable structural changes were being carried out in their economies as part of their overall economic development, the aim being to further modernize the countries' productive base in order to improve labour productivity and increase growth rates as a whole. To speed up technological change, the Comprehensive Programme to Promote the Scientific and Technological Progress of the CMEA Member Countries up to the Year 2000 had been adopted in December 1985 (see TD/B/1093). All those broad policy measures would result in further promoting the participation of the socialist countries in the international division of labour and contributing to the growth of international trade.

546. The spokesman for the Group of 77 had made an important proposal aimed at increasing the efficiency of the annual reviews of protectionism and structural adjustment at both the intergovernmental and the secretariat level. Group D countries had already begun an in-depth analysis of that proposal. However, as a preliminary view, Group D was ready to support the idea put forward by the Group of 77 with regard to increasing the efficiency of the annual reviews of protectionism and structural adjustment, on the understanding that the legitimate interests of Group D countries, which he had referred to above, would be taken duly into account in the course of such reviews.

547. The representative of *China* said that the documents prepared by the UNCTAD secretariat gave a very disturbing picture of the current situation with regard to protectionism and structural adjustment. Referring to Conference resolution 159 (VI) and Board resolution 286 (XXVIII) and decision 310 (XXX), he said that the countries concerned had repeatedly reaffirmed their commitment to further liberalization in order to strengthen the international trade framework, promote trade expansion, effectively fulfil their standstill and roll-back commitments, reduce and eliminate quantitative restrictions and other similar non-tariff measures, and provide the developing countries with more preferential treatment. However, since the last annual review, the progress made towards the control of protectionism and towards trade liberalization was far from satisfactory.

548. Though certain countries had reduced tariffs on some of their imports, the resulting partial benefits had been completely cancelled out by numerous non-tariff measures. The exports of the developing countries were seriously threatened by numerous quantitative and price restrictions, as well as by anti-dumping and countervailing measures, particularly where the developing countries had comparative advantage in export products such as textiles and clothing, footwear, agricultural and food products, and steel products. Such tariff and non-tariff barriers were seriously impeding the trade and development of the countries concerned.

549. In recent years, China's foreign trade, based on an open policy, had made rapid progress, expanding year after year. According to customs statistics, China's total export-import trade in 1985 had amounted to $69.62 billion. However, the unfavourable balance had also grown, with exports increasing very little. One of the most important factors responsible for that concerned the trade barriers erected by the developed countries against the exports of developing countries, including China. China's textile exports were not only subject to strict quantitative restrictions but were also impeded by the rules of origin. Other products were frequently subject to anti-dumping and countervailing investigations by the developed importing countries.

550. As in other developing countries, the financial resources available for development in China were limited, particularly foreign exchange resources. Import capacity was therefore determined by export earnings, and the prolonged existence of a large trade deficit could not be allowed.

551. By opening their market to the developing countries, the developed countries would help increase the import capacity of the former, enabling the developed countries in turn to export more goods to the developing countries. By erecting trade barriers, countries in fact tied their own hands, and that hindered the development of mutually beneficial trade. The liberalization of trade would bring about greater expansion in trade and consumption and would therefore promote the prosperity and economic development of the entire international community. It was to be hoped that the developed countries would fulfil their commitments against protectionism, open up their markets to the developing countries and carry out active structural adjustment in order to adapt to the continuing changes in comparative advantage. That would not only benefit the sound development of international trade but would also help to increase the debt payment ability of the developing countries.

552. China was making her own efforts to promote the sound development of international trade. It would pursue its policy of opening up to the outside world, continuously improve its system of foreign trade, separate administrative management functions from foreign trade operations, combine planned management with market adjustment instruments, simplify import procedures, improve trade operations and management, upgrade the quality of export products and actively engage in trade expansion. He hoped that the efforts being made by his country would receive a positive response from the developed market-economy countries.

553. The task facing the Committee was an arduous one. Under Conference resolution 159 (VI), all countries had committed themselves to resisting and eliminating protectionism and had agreed to carry out structural adjustment based on the changes in comparative advantage so as to ensure optimum overall growth and promote the development and diversification of the economies of the developing countries with a view to increasing their share of world production and trade in processed and manufactured goods. As long as there was the necessary political will to engage in serious dialogue and fulfil the commitments entered into, it was not impossible that a new step would be taken towards ending protectionism and promoting structural adjustment. It was his hope that, on the basis of resolution 159 (VI), it would be possible to continue the forward movement and produce fruitful results at the current annual review.

554. The representative of *Poland*, referring to the documents prepared by the UNCTAD secretariat, said

TD/B/1081 (Part I), table 2, omitted the two agreements that had entered into force in 1984 but which would remain valid till the late 1980s limiting sales of Polish steel and textile products to the United States market, as well as the new agreement concluded in 1985 which further amplified the restrictions faced by Polish steel exporters. In addition, the reference to a bilateral agreement between Poland and Thailand contained in annex I, table 2, of the same document did not reflect the real state of affairs, since no such agreement had actually materialized.

555. With reference to paragraph 5 of the same document, the current situation in the trading system, and in particular the absence of an overall and general move towards liberalization of trade, contradicted the commitments undertaken by all countries, and especially those which, by the sheer size of their economic potential, bore the greatest responsibility for enhancing the growth of world trade through the facilitation of access to their markets, to respect a standstill and to roll back the existing trade barriers erected by them.

556. Reiterating his support for the provisions of Conference resolutions 131 (V) and 159 (VI) and for Board resolution 286 (XXVIII) and decision 310 (XXX) concerning protectionism and structural adjustment, he called for their prompt implementation. The growth of protectionist pressures now reflected to an ever greater extent their structural causes and not only their cyclical causes. Those pressures constituted the reverse side of the malfunctioning of the process of structural adjustment, the ultimate cause of which was the lack of political will on the part of the mature industrial countries to undertake positive structural changes in response to structural transformation taking place in other regions. The backward linkage between the growth of protectionist pressures and the inadequacy of adjustment in production structures had not been sufficiently highlighted in the documents submitted by the UNCTAD secretariat.

557. Poland, in spite of the painful balance-of-payments adjustments it had been forced to undertake, was assisting the adjustment process through domestic economic reforms and external economic policies. At the domestic level, systemic changes introduced in the course of the so-called economic reform made business units more responsive to change in international competitiveness and the increase in their autonomy facilitated their reaction to change in the external environment. In external economic policy, an important step was the extension in time and scope of his country's scheme of preferences for exports from developing countries. In that connection, his country had also proposed the establishment in Poland, with the co-operation of international economic agencies, of a centre for the promotion of imports from developing countries. Poland was ready to cover the local currency costs of the centre's operation, but being unable in the current circumstances to finance the foreign exchange counterpart of the project in question, it had had to turn to those same agencies with a request to finance it. He hoped that the necessary finance would be found and the centre set up.

558. The systemic and policy changes that were being made were bound to be conducive to structural adjustment, but they could not be wholly successful against a background of mounting barriers to access to markets for Polish exports which, for example, for 50 to 70 per cent of items, were subject to unilaterally imposed volume restrictions or control measures in the markets of developed Western countries. The UNCTAD secretariat's documentation amply substantiated the view that countries were currently witnessing an expansion of protectionist measures, especially in the grey area of non-tariff barriers that in particular discriminated against developing and socialist countries. More specifically, the escalation of non-tariff measures and barriers, applied to an even greater extent on a selective and discriminatory basis, was not only hindering the overall development process of the Polish economy but also constituted an impediment to its positive structural adjustment and blocked the elaboration of further policy measures aimed at structural change.

559. Action aimed at halting the mounting barriers to market access and at their ultimate elimination must be undertaken in the global and interlinked context of international economic co-operation and not in the interests of individual groups of countries. Selectivity and discrimination should not only be opposed in the context of the erection of protectionist barriers to trade expansion; they were also inadmissible in the process of the roll-back of those barriers.

560. UNCTAD could provide an opportune forum for the co-ordination of efforts and policies in the field of positive structural adjustment, without which the fight against protectionist measures would remain a lost battle.

561. The representative of the *German Democratic Republic* said that the report submitted by the secretariat (TD/B/1081 (Part I) and (Part II)) represented a sound basis on which to pursue discussions in Sessional Committee II. The report's structure and analysis showed that the complex of items to be dealt with in connection with restrictions on trade and structural adjustment remained among the most topical items within the overall system of current international economic relations.

562. Although the efforts of the secretariat were appreciated, he had to criticize the fact that little was said on the effects of protectionist measures applied by capitalist countries against socialist countries. The wide use of restrictions and protectionist measures was hindering not only the trade of socialist countries but also normal trade and economic relations among all States and had a clearly negative influence on the turnover of goods. Furthermore, such a situation created uncertainty in the area of developing and expanding long-term trade and economic relations and of developing the world economy as a whole.

563. He stressed the gap between, on the one hand, the ideas and recommendations set out, for example, in Board resolution 226 (XXII) and Board decision 310 (XXX) concerning standstill and roll-back and, on the other, the actual trade practices which the developing countries and the socialist countries had to face. Although TD/B/1081 (Part I) contained only few figures on the development of trade activities by socialist countries in 1985 and no information on specific non-tariff measures, the fact remained that the trade policies pursued by a number of capitalist States was deliberately directed

towards increasing and complicating the protectionist measures of all kinds which they applied against socialist countries. The document in question, and especially its tables, showed an unjustified and discriminatory approach towards socialist countries in some sectors. Additional non-tariff measures had been introduced not only for such items as steel, iron and agricultural products but also for textiles, clothing and footwear from socialist countries. With regard to the figures and comparisons contained in chapter II of TD/B/1081 (Part I), he suggested that, in future, some country-related figures should be provided. That would contribute to more meaningful and effective work in the Sessional Committee.

564. In his view, the inventory of non-tariff barriers was an important pre-condition for further work. It was, of course, essential to take appropriate steps which would eventually remove such discriminatory measures. In that connection, it would be useful for the UNCTAD secretariat to continue its work on the Data Base on Trade Measures. That would, *inter alia*, assist the Trade and Development Board in addressing the questions of dissemination of the inventory of non-tariff barriers within the framework of the work programme on protectionism and structural adjustment. A further use to which the Data Base could be put was to create additional possibilities in examining trends in international trade and analysing conditions of market access. Concerning the mode of operation of the Data Base, it was important to use the same methodology and give equal treatment to all countries. Information must be compiled from official national sources, either directly or through competent international organizations.

565. He said that TD/B/1081 (Part II) contained facts and comparisons which presented the development in selected fields of the national economies of the socialist countries in a realistic manner. He emphasized the need for generally taking into account the correlation of structural adjustment with, and its effects on, protectionist measures in all stages of the discussion of the subject in UNCTAD.

566. The representative of *Chile* stressed the existence of numerous quantitative restrictions, as well as other measures of equivalent effect, which negatively affected access to markets and of tariff escalation which hindered exports of goods with a higher aggregated value in fields of great interest for Chile such as the fishing, mining, forestry and agricultural sectors.

567. In addition, indiscriminate use was made of subsidies, which constituted the main manifestation of protectionism, depressing prices, generating unmanageable surpluses and distorting competition. Policies based on subsidizing exports, particularly those adopted in the agricultural sector by some countries, constituted one of the most damaging and virulent forms of protectionism. It was essential to remove restrictions and abolish distortions in international trade in order not to hinder the entry into international markets of countries with comparative advantage in particular sectors.

568. In recent years, Chile had implemented various policies and measures aimed at developing a flexible structure of production, capable of adapting to the requirements of an efficient and dynamic economy. The structural adjustment process sought to expand production, with emphasis being placed on investment and exports financed mainly from domestic resources.

569. With relation to the UNCTAD Data Base on Trade Measures, he considered it extremely useful to improve the transparency of existing protectionist measures. The publication of the Data Base would be an appropriate means of facilitating the identification of measures affecting trade in developing countries and would contribute to the eventual adoption of decisions conducive to those measures' elimination.

570. He said that there was an element which had not yet received sufficient attention, namely trade in agricultural products, which was practically devoid of multilateral rules and which suffered the largest concentration of trade-disrupting practices such as subsidies, quantitative restrictions, and others. Furthermore, the sector in question, where liberalization had been more limited than in most manufacturing sectors and whose coverage by the GSP was minimal, was affected by strong distortions caused by protection. He indicated several of the serious problems affecting the agricultural sector owing to protectionism and suggested that a brief study should be prepared by the UNCTAD secretariat which would cover protectionism in agriculture, giving special attention to market access (quantitative restrictions, variable duties, minimum prices, voluntary export restrictions, etc.), subsidies (especially on exports) and sanitary and phytosanitary restrictions.

571. The representative of *Hungary* said that TD/B/1081 (Part I) clearly indicated a general increase in the trade coverage of non-tariff measures applied by developed market-economy countries between 1981 and 1984. As shown in table 5, the socialist countries were the group most affected by protectionist measures. That was true for all items, with 35 per cent of imports of developed market-economy countries from socialist countries affected by non-tariff measures, as compared with 23 per cent in the case of developing countries and 17 per cent in the case of developed market-economy countries, as well as for many of the product sectors, for example food and agricultural raw materials taken together, iron and steel, manufactures and, within the latter category, textile yarns and fabrics and leather goods. With regard to annex I, table 2, of the same document, Hungary and Egypt had not concluded a trade agreement concerning mutual deliveries of the specified goods. What had actually happened was that several long-term framework agreements had been concluded between interested Hungarian and Egyptian enterprises.

572. Hungary regulated its trade by such public and transparent instruments as tariffs, licensing, exchange rate and tax reimbursements. Temporary import restrictions in the form of quotas and surcharges had been used in order to safeguard the country's balance-of-payments position.

573. With regard to protectionism, about 50 per cent of overall Hungarian exports to developed Western countries were affected by various protectionist measures or discriminatory import policies. In agriculture, 90 per cent of Hungary's exports to its main market,

namely the EEC, fell under restrictive common import policies. Furthermore, 80 per cent of exports to developed Western countries were at a competitive disadvantage because of tariff treatment resulting from customs unions, free trade areas, preferential agreements and the GSP.

574. He welcomed the fact that the questions of agriculture and agricultural trade, which were of particular interest to Hungary, had been more widely discussed in the secretariat documents before the Committee (TD/B/1081 (Part II) and TD/B/1086 and Corr. 1). In the case of agricultural and food products, which accounted for one third of Hungarian convertible exports, market access possibilities had further deteriorated as a consequence of the import and export policies of some developed Western countries. Hungary was particularly concerned that its share in the external agricultural imports of the EEC was constantly and seriously declining. That negative trend indicated that Hungary's treatment in the EEC had been even more unfavourable than that of all other third countries.

575. The heavy and steadily increasing subsidization of agricultural exports had led to major displacements and depressed prices for certain major food products in international markets. Hungary's losses resulting from eroded price levels in the agricultural sector had amounted to almost half a billion dollars in the preceding three years. More attention must be paid to examining the trade-distorting effects of agricultural protectionism than had been done in the past in the Sessional Committee. In that connection, the secretariat should prepare studies focusing on the quantification of trade-distorting effects in relation to market access and export competition on third markets.

576. With regard to structural adjustment policy, Hungary had achieved some progress in introducing structural change and increasing the efficiency of the economy. The objective was to increase the ability of the economy to adjust to changing market conditions. The policy of adjustment was targeted at the selective development of branches offering a more rational utilization of resources, increasing productivity in general and thereby paving the way for moderate economic growth.

577. Hungary had a deep interest in an open, multilateral, non-discriminatory and predictable international trading system. Unfortunately, the current system largely failed to meet those criteria, and existing trends were disquieting. Protectionism, in the form of legal, semi-legal and illegal measures, was flourishing, in spite of the commitments undertaken at the GATT Ministerial Meeting and at the sixth session of the Conference to halt and roll back protectionist measures.

578. He hoped that the current negative tendencies could be reversed and that commitments concerning standstill and roll-back of protectionist measures would be implemented. The reduction and elimination of protectionist measures should be done on the basis of non-discrimination. A global approach to the elimination of protectionist measures could only be accepted by Hungary if it did not result in their maintenance against Hungarian exports and an increase in discrimination.

579. The representative of *Argentina* said that the commitments on standstill and roll-back that developed countries had made under various UNCTAD resolutions and in the GATT Ministerial Meeting of 1982 had not been fulfilled. The measures which were still being applied affected sectors of special interest to developing countries such as the agricultural, textile and steel sectors. Protectionist measures in those sectors had a direct impact on developing countries, through significant reductions in their export earnings, the resulting deterioration of their external sector and, consequently, the increasing difficulty encountered in meeting external debt commitments. Some of the protectionist measures in question were applied in sectors already subject to restraints of a more or less permanent nature (for example, the agricultural and textile sectors).

580. In his view, there was a permanent contradiction in the position of those countries which praised the merits of a trading system aimed at liberalization on the basis of the principles of comparative advantage but then resorted to protectionism instead of carrying out the necessary structural adjustments whenever comparative advantage created additional export opportunities for developing countries. The resulting vicious circle, affecting mainly products of interest to developing countries, eroded the credibility of a process of trade liberalization which was in fact being promoted as a matter of urgency in other forums. For those reasons, he reiterated the support of his country for the proposal made by the spokesman for the Group of 77.

581. With regard to the documentation prepared by the secretariat, he expressed particular interest in the report on agro-industry (TD/B/1086 and Corr.1). He suggested that the UNCTAD secretariat could carry out a further analysis of some of the elements which affected that sector and which in some way prevented the necessary structural adjustment. He mentioned, in particular, the impact of the support policies applied by some developed countries on international prices of agricultural products and, consequently, on export earnings of developing countries.

582. The representative of the *European Economic Community* said that the Community fully subscribed to the statement made by the spokesman for Group B. Commenting in particular on developments in the Community, he said that the EEC, which now had 12 member States, could look forward to a moderate growth of output of about 2.5 per cent in 1986, a rate similar to that achieved in 1985. The recovery from the 1982 recession would not be sufficient to make more than a modest overall improvement in the very high levels of unemployment, which had resulted in part from the restructuring and contraction of a number of major industries. However, inflation had now been successfully curbed in most of the Community's member States, and the Community looked forward to the current year with qualified optimism.

583. As a major trading partner, the Community had always maintained an outward-looking posture, recognizing that an open multilateral trading system was in its own interests as well as those of its partners. The Community had, therefore, been in the forefront of those seeking to preserve the multilateral trading system and

had firmly resisted pressures for protectionism from various sides within its own borders. However, the Community was also convinced that the multilateral trading system had to be strengthened, both to allow world trade to expand further and to take account of new developments in the world economy. It had, therefore, played an important role in seeking an adequate consensus on the launching of a new round of MTN. The Community's objective was that the GATT Ministerial Meeting in September 1986 should agree on the launching of such a new round, which was essential to maintain momentum in resisting protectionism. By strengthening the multilateral trading system, a new round would be in the interests of all trading nations, both developed and developing, and the Community hoped that the developing countries would continue to play their full part in the preparatory committee and subsequently participate actively in the negotiations themselves.

584. With regard to specific actions recently taken by the EEC, some deserved particular attention:

(*a*) The Community had brought forward by one year to 1 January 1986 the final instalment of the Tokyo Round tariff reductions;

(*b*) The Community had, in accordance with its international commitments, respected the standstill on new protective measures and had also rolled back a significant number of existing quantitative restrictions;

(*c*) The Community had continued to improve its GSP which would remain in force until the end of the current decade;

(*d*) The Third Lomé Convention[28] between the Community and 66 African, Caribbean and Pacific States, which maintained and reinforced the virtually unlimited free access enjoyed by those States to the Community market, would enter into force in 1986.

585. The Community's liberal trade policy was reflected in its trade flows. In 1984, Community exports to developing countries had totalled ECU 123.4 billion, while imports from them had totalled ECU 135.1 billion, resulting in a trade deficit of ECU 11.7 billion. In the first nine months of 1985, that deficit had grown to ECU 14.4 billion. Between 1979 and 1984 the Community's imports from developing countries had grown from ECU 89.7 billion to ECU 135.1 billion, or by 50 per cent. Over the same period, imports in four sensitive sectors (textiles, clothing, footwear and iron and steel) which were of particular export interest to developing countries had grown by 64 per cent.

586. Those trends had been accompanied by substantial structural adjustments in a number of sectors. In the case of the iron and steel industry, for instance, many plants had been closed down completely, and the Community's hot-rolling capacity at the beginning of 1986 had been nearly 30 million tonnes, or 17 per cent, lower than at the beginning of 1980, with further substantial closures to take place in the course of the current year. That capacity reduction had so far resulted in a decline in employment in the industry of 247,000, or 37 per cent. In the case of the textiles and clothing sector, restructuring had taken place over a much longer period. The work-force had contracted steadily from 3.7 million in 1970 to 1.8 million in 1984 and imports had grown rapidly, currently accounting for nearly 50 per cent of the Community's market. The adjustment of those sectors was an example of the Community's constant policy to restructure and rationalize uncompetitive industries rather than to prop them up. The EEC had therefore respected the commitments on protectionism and structural adjustment which it had entered into in UNCTAD, particularly those contained in Conference resolution 159 (VI).

587. The efforts made by the secretariat to deepen the analysis and to broaden the coverage of the documentation prepared for the Trade and Development Board's deliberations on agenda item 6 were appreciated, but it was to be regretted that in a number of places criticisms were made of Community policy which were not borne out by the facts. Moreover, a number of errors had been made: for instance, the Community had not suspended tariff concessions to Canada, as stated in paragraph 15 of TD/B/1081 (Part I). Similarly, paragraph 18 of the same document should have pointed out that the voluntary export restraint agreement reached with Brazil was at the latter's request in view of the conclusions of an anti-dumping investigation into Brazilian subsidization of steel exports to the Community. The Community also felt that the documents continued to present an unbalanced picture: if the Board was to address the issues of protectionism and structural adjustment in their full complexity, then there should be detailed information on developments in all groups of countries, and not merely on developed market-economy countries. There should be transparency on all sides.

588. In analysing the trends in protectionist actions, the documents before the Committee made the assumption that countervailing duty and anti-dumping investigations constituted such actions. In the view of the Community, that assumption was not justified: even if restrictive measures were introduced following such an investigation, one could not reasonably speak of a protectionist action, since those measures were designed to offset the effects of distortions caused by the behaviour of the exporter. For that reason, and also because neither the frequency nor the import-coverage indices could take account of the degree to which a measure was protectionist, any conclusions drawn from the analysis of the data base should be regarded as highly tentative.

589. The results of the simulations based on the UNCTAD Trade Policy Simulation Model were interesting, but it was somewhat difficult to understand the nature of the model and the assumptions on which it was based. It would be interesting to see the results of a more general liberalization including other countries, arrived at on a multilateral basis, and it was strange that the secretariat had not undertaken such an analysis at a time when the launch of a new round of MTN was under consideration.

590. With regard to services and structural adjustment (TD/B/1081 (Part II), chap. III), interesting material had been provided which helped to clarify the issues and should have enabled reasoned conclusions to be reached. It was to be regretted that the conclusions presented did not seem to follow from the analysis. For in-

[28] See footnote 23.

stance, contrary to what was stated in the document, the tendency for goods and services to become increasingly complementary in no way invalidated the comparative advantage principle but rather underlined the need for manufacturing industries in all countries to have access to internationally competitive services.

591. He further noted that, in a number of places, the document in question suggested that comparative advantage might no longer be a significant determinant of trade flows. However, the evidence adduced did not appear to bear out that conclusion, and that led to some inconsistency. For instance, paragraph 48 of TD/B/1081 (Part II) attributed a dominant role to comparative advantage in structural adjustment.

592. It was to be hoped that, at the end of its work on protectionism and structural adjustment, the Board would arrive at a broad consensus enabling progress to continue in what was an essential component of the North-South dialogue.

593. The representative of *Tunisia* said that the question of protectionism and structural adjustment was an extremely important problem and he agreed with the Secretary-General of UNCTAD that any action directed at liberalization in favour of developing countries would have a positive impact on all members of the international community. Unfortunately, as shown in the various documents before the Committee, international trade was taking a protectionist direction.

594. The UNCTAD documentation contained some inaccuracies on measures taken by Tunisia, especially concerning licensing. It was appreciated, however, that reference was made to the fact that measures taken by developing countries permitted them to rationalize the use of their financial resources and to foster infant industries. On the question of financial resources, Tunisia was facing balance-of-payment problems as a consequence of the decline in the level of petroleum prices.

595. The secretariat documentation made abundant reference to protectionist measures adopted by developed countries, in particular in paragraphs 50 to 60 of TD/B/1081 (Part I). It was to be hoped that combined efforts in UNCTAD and in GATT would produce solutions to the problem of protectionism, which was undermining the world economy and had been for some time.

596. With respect to the report on the agro-industrial sector (TD/B/1086 and Corr.1), first requested by the African Group, the study drew attention to the considerable reduction of imports by the industrialized countries from African countries. That reduction was evidence that there had been a deterioration in the situation of agricultural industries in the countries affected. The developing countries had not been able to proceed beyond the intermediary processing stage. For example, developing countries accounted for 50 per cent of the world's production of vegetable oils but only a minute share of the production of products containing such vegetable oils. Such a situation raised very important questions, especially for African countries. Tunisia appreciated the analysis carried out by the secretariat on the organic link between services and goods; that link could constitute a subject of useful exchanges of views at the current session and in the future. However, there had been very swift changes in that area and the information used should be brought up to date.

597. Tunisia supported the proposals tabled by the Group of 77 as offering practical and effective solutions to the problems of protectionism and structural adjustment and felt that those proposals would give new impetus to the work in the international community as a whole.

598. At the 4th meeting of the Sessional Committee, on 13 March 1986, the spokesman for the *Group of 77* (India), introducing draft resolution TD/B(XXXII)/SC.II/L.2, said that the Group of 77 had taken care to submit, well in time, its specific proposals for consideration by the various Groups. Although the two annual reviews of protectionism and structural adjustment that had taken place in the preceding five years had been useful, general concern had been expressed that steps should be taken to make those reviews more efficient and more productive. Accordingly, in paragraph 1 of the draft resolution, the Group of 77 had suggested four specific supplementary guidelines for the preparation and implementation of the annual reviews. With regard to the concrete action that should follow as part of the review process, paragraph 3 of the draft resolution suggested three specific elements which were aimed at making the reviews more productive and which would form an integral part of a coherent framework for analysis and action.

599. With regard to the dissemination of data, dealt with in paragraph 2 of the draft resolution, the Group of 77 considered that the Data Base on Trade Measures had been of great use, not only for the preparation of the background documents before the Sessional Committee but also for the collective understanding of the problems of protectionism and structural adjustment, and that the information in the Data Base should be disseminated as quickly as possible.

600. Paragraphs 4 and 5 of the draft resolution dealt with the question of a coherent and concrete plan of action to be undertaken in order to make any consideration of general trade liberalization meaningful and credible. That plan of action would give the work being done under the auspices of the Board a much greater impetus and would contribute towards achieving the goals of dismantling protectionism and facilitating structural adjustment.

601. The representative of *Czechoslovakia* said that, in spite of several years of discussions devoted to protectionism and structural adjustment in UNCTAD, the results to date had been rather modest and the practice of annual reviews had tended to be somewhat routine in nature rather than the efforts of all participating countries to make a real contribution to the liberalization of international trade. The task before the Committee remained that of elaborating concrete measures within the framework of Conference resolution 159 (VI).

602. While recognizing that a number of countries had taken certain unilateral measures aimed at liberalization, he considered that such limited action did not significantly change the substance of the problem of protectionism. A number of developed market-economy countries continued to solve their economic problems at the expense of the economic interests of other countries,

inter alia, through the application of various protectionist measures. In that connection, he stressed that developed market-economy countries had recently had more and more recourse to discriminatory measures. The socialist countries and also certain developing countries were those most affected by such measures, which sometimes turned directly into an embargo against the shipment of specific categories of goods. Another disturbing factor was that increased recourse to protectionism continued, even in the upswing of economic recovery, and that was confirmed by the statistics given by the secretariat. In 1985, a whole range of Czechoslovak exports had still been subject, in many developed market-economy countries, to quantitative limitations, essentially of a discriminatory nature, and other non-tariff barriers. With regard to Czechoslovak imports, similar difficulties had to be overcome; the constraints regarding the control of certain goods that Czechoslovakia wanted to import from some of the above-mentioned countries sometimes turned into a complete ban of such imports.

603. As to the relationship between protectionism and structural adjustment, protectionism could not secure a real long-term solution to the economic problems of countries applying protectionist measures. The lack of appropriate structural adjustment resulting in growing protectionism had a negative impact on international trade as a whole and on the concrete interests of the trade partners of the countries concerned as well.

604. With respect to the documentation submitted by the secretariat—which he considered as being of good quality—he provided some additional information concerning, in particular, the recent long-term agreements concluded by his country with several developing countries.

605. The representative of *Thailand* said that, in recent years, there had been increasing efforts to use protectionist measures or safeguard actions against imports from developing countries, frequently through the use of "grey area" measures such as voluntary export restraint arrangements, orderly marketing arrangements, and others. Anti-dumping and countervailing measures and quantitative restrictions were also applied on a selective basis against imports from developing countries. Those actions resulted in reductions in export earnings, higher unemployment and slower economic development in developing countries. The decline in export earnings reduced developing countries' ability to service their external debts and forced many of them to take restrictive measures in return. Thailand strongly believed, therefore, that an effort to liberalize trade required full implementation by developed countries of past commitments on standstill and roll-back of trade-restrictive measures which they had undertaken at the GATT Ministerial Meeting in 1982 and reaffirmed at the sixth session of the Conference. That issue should be an integral part of the new round of MTN, which should retain the principle of differential and more favourable treatment for developing countries. In trying to solve their structural problems, the developed countries should use measures which did not affect international trade.

606. Thailand endorsed the view of the spokesman for the Group of 77 on the need for a review of large-scale subsidization of agricultural production by major developed country exporters as it affected the exports of developing countries.

607. The representative of Finland, speaking on behalf of the three Nordic countries (*Norway, Sweden and Finland*), said that the documentation prepared by the secretariat provided interesting material. Document TD/B/1081 (Part I) deserved special note for its approach, although questions could be raised—in the context of the issues before the Board—on the usefulness of econometric models such as the Simulation Model and the use of information from UNCTAD's Data Base as it currently stood, i.e. because of its far from satisfactory country coverage. Although the weight of the OECD countries in international trade explained the great interest attached to them in the documents, it was to be regretted that other groups were hardly covered. New and vague concepts such as that of "non-tariff distortion" used in the documentation did not really contribute to work in the area in question. In addition, the documentation lacked the emphasis on the problems of the least developed and African countries referred to in the relevant Board decisions. A study on the experiences of one developing country might prove useful in terms of focusing on one specific case and thereby concretizing the debate on protectionism and structural adjustment.

608. The Nordic countries regarded it as a matter of urgency to break the unfortunate trend towards protectionism and to restore respect for and confidence in the multilateral trading system. In that connection, the developed countries had undertaken specific obligations at the sixth session of the Conference to reverse protectionist trends and to roll back existing protectionist measures and practices. An adjustment of many of the developing countries' own trade policies would be an important element in the development process because of the trade-creative and generally stimulating economic effects of such actions.

609. Given the consensus that existed with regard to starting a preparatory process for a new GATT round, the discussion on trade liberalization in the secretariat documents would have been enriched if the prospective new round of MTN had been taken into consideration.

610. The Nordic countries saw standstill as a most important element in enhancing the credibility of the future negotiations. For their part the Nordic countries had scrupulously adhered to their standstill commitments entered into at the EFTA meeting in 1983 and had every intention of continuing to do so.

611. In the view of the Nordic countries a new round of MTN should cover elements of interest to all participants. It should also take into consideration matters of interest to developing countries, especially the least developed among them. The principles and the dynamic elements of Part IV and the Enabling Clause of the General Agreement should constitute the basis upon which developing countries should be expected to participate, *inter alia*, by making reciprocal commitments to the extent that their level of individual development and financial and trade needs permitted.

612. With regard to roll-back, the Nordic countries remained attached to the political commitments they had undertaken, and since 1983 they had taken a number of

actions in pursuance of those commitments, for example advance implementation of the Tokyo Round tariff cuts—which were now all in effect—the lifting of some quantitative restrictions and several improvements in the GSP schemes.

613. With regard to the question of trade in services, the Nordic countries had expressed their preference for having those negotiations within GATT. However, other organizations also had responsibilities in that field. In that respect, the Nordic delegations esteemed the work done so far by the UNCTAD secretariat in fulfilling its mandate on services given to it by the Trade and Development Board at its thirtieth session. The handling of services in the documentation for the current session of the Board represented an interesting contribution to the ongoing international debate on the issue, even though there were some inconsistencies in the conclusions reached.

614. As to the implementation of structural adjustment policies in the Nordic countries, it was difficult in market economies to distinguish clearly between general economic policy and more specific industrial policy. As to the question of the existing structure of industry and trade, several groups of factors had to be discussed. In the open economies of the small Nordic countries, industrial policy aimed mainly at the creation and development of general conditions for industrial activity, while industry itself was concerned with a search for promising and profitable sectors, activities and products.

615. The Nordic countries believed that the meeting of the Intergovernmental Group of Experts on Definitions and Methodology Employed in the UNCTAD Data Base on Trade Measures, held from 3 to 7 February 1986, had been useful. It had been the first opportunity to discuss methodology and definitions with the secretariat and other member countries, and the secretariat had prepared useful documentation for the meeting. However, the Nordic countries were concerned about the outcome of the meeting. It had not been possible during the short time available to reach agreement on definitions and methodology, and the secretariat now had no clear guidelines on how to advance its work in the field in question. The Nordic countries therefore felt that it would be appropriate to convene a second session of the Group of Experts to reach agreement on basic definitions and to give clear guidelines to the secretariat for its future work. A clear set of references, careful preparation of documentation for the meeting and the presence of experts from as many countries as possible would benefit the continuation of the work in the area in question.

616. The representative of *Yugoslavia* said that the world economy was affected by increased disruption of a structural and cyclical nature and that the continuation of the current negative trends and the maintenance of the relations prevailing in major areas of the world economy would further deepen the current crisis and could have far-reaching consequences for the trade and development of developing countries and for their relations with developed countries. Of particular concern were the continuing erosion of the multilateral trading system through an escalation of various restrictive bilateral and sectoral arrangements belonging to the so-called "grey area" measures, the increase of discriminatory restrictions in sectors of particular export interest to developing countries, and the increasing number of anti-dumping and countervailing duty investigations initiated by the developed countries against the exports of developing countries. Moreover, developing countries were facing increasing attempts by developed countries to question the special and more favourable treatment of developing countries in the international trading system at a time of balance-of-payments and debt problems and other external constraints and restrictions. The specific problems confronting Yugoslavia in its trade and economic relations with developed countries, as well as its efforts to solve some of the structural adjustment problems, were covered in TD/B/1087.

617. Developing country debt servicing was seriously threatened by rising protectionism and commodity price falls. A new global approach and strategy to promote international co-operation was needed, based on a programme of short-term and long-term measures for the improvement of co-operation in all key areas. The developed countries had a special responsibility for accelerated and balanced economic recovery, as well as for the creation of a more favourable external environment for the trade and development of developing countries. They must in particular fulfil their standstill and roll-back commitments.

618. With a view to improving the multilateral trading system and ensuring broad participation in the MTN, it was important to reach agreement on the outstanding issues from the Tokyo Round, including consistent application of the special and more favourable treatment of developing countries in the framework agreements, the safeguard system, tropical products, agriculture, and liberalization of international trade in textiles and clothing. The improvement of international co-operation and the achievement of the above-mentioned objectives could be facilitated by the provision of technical and other assistance by UNCTAD to the developing countries in all phases of the negotiations. It was important to implement effectively the agreed UNCTAD programme on monitoring protectionist policies and structural adjustment, as well as to establish an improved Data Base on Trade Measures within UNCTAD as an important instrument for the measurement and evaluation of protectionism in world trade and a first step towards implementation of Conference resolutions 131 (V) and 159 (VI).

619. The representative of *Mexico* said that developing countries continued to be the countries most seriously affected by protectionism, especially through the application of non-tariff measures. Such protectionism led to a reduction of export earnings and, as a consequence, a loss of financial resources, the curtailment of import capacity and a serious increase in the debt service burden. The efforts being made with regard to further trade liberalization were still far from adequate, the main problem being that the majority of agreed decisions had not yet been implemented. It was particularly deplorable that not only had the commitments on standstill and roll-back not been respected but, on the contrary, the application of restrictive measures had become more acute and sophisticated, resulting in further deviations from the multilateral rules of international trade.

620. He described how the application of quantitative restrictions, voluntary export restraints and other restrictions had considerably affected the exports of Mexico. For example, between 1981 and 1984, in just one developed country 28 countervailing actions had been undertaken against Mexico, with 20 resulting in countervailing duties. Such actions had affected export diversification in such sectors of great interest to Mexico as agriculture, textiles and steel. The products specifically affected included vegetables, fertilizers, cement, ceramic products, iron and steel products, apparel and leather. It was therefore essential to remove restrictive measures affecting developing countries and proceed with the necessary structural adjustment.

621. With regard to the Data Base on Trade Measures, work should continue in order to produce an updated inventory with a view to disseminating it and providing the necessary technical assistance to developing countries. Increased transparency, especially in the area of obstacles to trade, was an important factor in facilitating an in-depth analysis of international trade in order to find appropriate solutions for problems related to protectionism.

622. The representative of *Egypt* said that resort to protectionist measures represented a serious impediment to the exports of developing countries, leading to a reduction of their export revenues and adversely affecting their ability to service their debts. Protectionism also affected the capacity of developing countries to finance the imports needed for their social and economic development; as a result, economic growth had slowed down and some countries had even registered negative growth rates. All that exacerbated the international crisis, which affected not only the developing countries but the whole of the international community.

623. The documentation before the Sessional Committee had shown that liberalization of trade was an accepted practical proposition. However, a major exception was the important sector of textiles and clothing. The MFA was intended to be temporary, but it had become a permanent system, blocking trade in textiles and clothing; it had been created within the framework of the General Agreement, but it was in contradiction with the main rules of the General Agreement. The MFA was to expire by July 1986, and talks were still going on about the need to end the system, to liberalize trade, to accept comparative advantage and to agree on the necessary programme in a reasonable time frame.

624. Some developed countries which said that unilateral trade liberalization was not realistic and wanted to undertake MTN imposed new restrictions after developing countries had made concessions. In that connection, it was vital that the developed countries should observe the commitments they had undertaken with regard to standstill and roll-back.

625. He reiterated the main conclusions contained in the summary by the Chairman of the Intergovernmental Group of Experts on the Definitions and Methodology Employed in the UNCTAD Data Base on Trade Measures and emphasized the importance of the secretariat continuing to collect and bring information up to date on the same basis as before.

626. The representative of *Switzerland* said that, at the thirtieth session of the Board, his delegation had pleaded in favour of consensus on trade policy, in particular between developed and developing countries. Through the exchange of views, the Board could contribute by increasing transparency in trade and bringing those with different views closer together. His delegation appreciated the efforts made by the secretariat, especially in TD/B/1081 (Part I), to improve the quality of documentation relative to previous years. None the less, the secretariat's analysis of protectionism and structural adjustment remained unbalanced, with too much emphasis sometimes placed on the policies and actions of OECD countries. He hoped that improvements could be made to the Data Base on Trade Measures so that the Data Base could become as objective an instrument as possible enjoying the confidence of all member States.

627. The experience of recent years had clearly demonstrated the imperious need to respect a contractual, multilateral and open trading system. Countries which had tried for too long to escape progressive commitment to discipline had thereby encouraged countermeasures against them outside the established rules. Switzerland had long recognized that different development situations called for different treatment, but it was essential that countries which had achieved comparable weight in international trade should unite to reorient the trading system towards multilateralism and contractuality.

628. It should not be forgotten that the Committee's work was set in the context of the coming MTN in GATT. Those negotiations should make an important contribution to the strengthening and enlarging of the trading system in order to take into account the evolution of the preceding 40 years.

629. It was more and more obvious that the trading system could only function in relationship to its natural economic environment and that it was bound to be influenced by decisions taken in other areas such as money and finance. It was therefore important that trading concerns should be properly perceived in the forums dealing with those other areas. UNCTAD could contribute to the progress of reflection about the interdisciplinary aspects of current international economic relations.

630. The representative of *Bulgaria*, referring to Conference resolutions 131 (V) and 159 (VI), said that the danger of proliferation of protectionist and discriminatory measures in the trade field was well recognized by the international community, which had adopted recommendations aimed at freezing the trend towards increasing protectionism and gradually eliminating existing barriers to trade. Unfortunately, the current annual review showed once more that little had been done by the countries concerned to fulfil their obligations arising from the resolutions in question. In fact, the gap between the commitments made and their actual implementation was growing. The greatest responsibility for that lay with the major trading nations. It was important that the rollback of illegal protectionist measures should be carried out on the basis of non-discrimination, the discrimination against socialist countries being already the highest, as indicated in TD/B/1081 (Part I). Of course, his country in no way questioned the legitimate right of develop-

ing countries to enjoy preferential treatment. The effectiveness of the proposed new round of MTN was largely dependent on the participation of all interested countries. With regard to structural adjustment, his country regarded the issue as closely related to the problem of protectionism.

631. As a country highly dependent on foreign trade, Bulgaria had a keen interest in activities on protectionism and structural adjustment. Bulgaria was both a donor and a beneficiary country with regard to tariff preferences. It was notable that the developed market-economy countries that extended tariff preferences to Bulgaria at the same time resorted to a lesser extent to non-tariff barriers against Bulgarian exports. The limited access to some of the developed market-economy countries had in 1985 resulted, *inter alia*, in the further decline of Bulgaria's exports to those markets, while imports from developed market-economy countries had grown by 34 per cent. Such a situation would limit the prospects for trade, not only with developed market-economy countries but with developing countries as well.

632. The representative of *Viet Nam* expressed his full support for the statement made by the spokesman for the Group of 77, emphasizing the important and constructive proposal for a plan of action on protectionism and structural adjustment referred to in that statement. In recent years, some developed market-economy countries had intensified protectionist, discriminatory and restrictive measures, particularly in sectors where developing countries possessed comparative advantage such as textiles and agricultural commodities, thus provoking adverse effects on the economies of those countries and on world economic growth. There was an urgent need for the international community to fight against protectionism so as to restore discipline, stability and world economic security and achieve a fair and equitable new international economic order. It was of great importance to give increased support for the new round of MTN so that positive results could be attained.

633. The representative of *Australia* said that there were several reasons for giving a greater sense of immediacy and urgency to UNCTAD work on protectionism and structural adjustment. The first was that the potential benefits to be obtained from reducing barriers to, and distortions in, trade in commodities had not been greater for decades. That was especially true in the agricultural sector, where prices for agricultural commodities had recently been declining. The second related reason was that greater international attention would inexorably focus on protectionism in agricultural trade, given the possibility of a major subsidies war between the EEC and the United States. The high cost of the protection of agriculture was a matter of growing concern to some developed country exporters. The third reason was that a round of MTN would be launched within the next 12 months. The final reason was that the subject under consideration could be one of the touchstones of the general programme of revitalization of UNCTAD upon which the Secretary-General of UNCTAD intended to embark.

634. Australia had been a long-standing supporter of the work of UNCTAD in the area of protectionism and structural adjustment, and UNCTAD's work in that area should be based on a global approach, covering all countries and groups of countries and all trading sectors, the aim being to increase the availability of information relevant to international trade and increasing transparency in the international trading system.

635. Australia strongly endorsed the prime role of GATT in the negotiation of measures to achieve liberalization and the concomitant achievement of structural adjustment and would actively participate in the preparatory process for the new round of MTN. Australia believed that all the problems facing international trade, including subsidies, non-tariff barriers and the wide range of access problems facing trading nations, must be addressed in the new round.

636. UNCTAD could play a valuable and influential role in giving greater public exposure to issues facing the international trading system, as well as in creating a favourable climate when such issues reached the negotiating table. It could also make a constructive and valuable contribution to efforts to alleviate the serious problems confronting world trade.

637. With regard to the documentation prepared by the UNCTAD secretariat, he said that TD/B/1081, especially part one, represented a useful contribution to the debate on protectionism and structural adjustment and an example of what UNCTAD could do in that area, even if he was not in agreement with everything that was said in the document. With regard to the Data Base on Trade Measures, he expressed disappointment that his support for broadening the scope and coverage of the Data Base was not more widely shared by other participants at the meeting of the Intergovernmental Group of Experts. He noted particularly the absence of non-border measures and production and export subsidies from the Data Base. The rest of the documentation prepared for the Sessional Committee by the secretariat gave rise to reservations, particularly TD/B/1086 and Corr.1, on problems of agro-industrial production and trade, which was not well researched and contained sweeping and rather questionable generalizations. In that connection, he did not find credible the claim made in that document that the operations of TCNs represented the primary problem in the area in question. He stressed his disappointment that, in the documentation which had been prepared for the current session, the problems of protectionism and structural adjustment in the agricultural sector had been ignored; that represented a regrettable shortcoming in the work of the UNCTAD secretariat, given the mandate for protectionism and structural adjustment. He noted the recognition the Director of the Manufactures Division had given to the serious problems of trade in agriculture in his introductory statement.

638. There had been a tendency, in UNCTAD analyses of the consequences of protection in agriculture, to focus on the adverse impact on the interests of other exporters, and particularly developing country exporters, of agricultural products—and not without good reason. As TD/B/1086 and Corr.1 showed, a number of small, efficient developing countries which relied primarily on exports of sugar for national earnings were in serious difficulty. Global sugar prices had been pushed down to levels far below the cost of production of the most efficient producers because European, high-cost

producers were being subsidized to over-produce and the surplus was being dumped on world markets. However, what had not been sufficiently highlighted in the analysis by UNCTAD was the overall inhibiting effect of the depression of world prices on development in other developing countries with rural sectors but without rural export industries. It was increasingly recognized that one engine for development was a growing rural sector, even if its primary target was a domestic market. The general question of the adverse effects of the depression of world prices for agricultural commodities on development in developing countries was one area of work which had not yet been properly addressed by the UNCTAD secretariat.

639. The current critical time represented an ideal opportunity for UNCTAD to make a constructive and substantial contribution on the question of protectionism and structural adjustment. In that connection, the UNCTAD secretariat could do useful work in the following areas: (*a*) quantification of the impact of agricultural support mechanisms in developed countries on the trade revenue of developing countries; (*b*) inter-sectoral effect within countries of agricultural protection; (*c*) effect of developed and developing country agricultural practices on developing country strategies involving policies to increase domestic food production and food security; (*d*) prospects of an increase in commercial demand for agricultural products.

640. The representative of *New Zealand* said that structural adjustment had been an integral part of New Zealand's commercial policy since the late 1970s. Particular emphasis had been laid on the role a liberal trade régime could play, in the successful achievement of structural adjustment. A series of steps had been taken to deregulate the economy and further open it to international competition, for example the dismantling of the licensing system and the reduction of tariffs. Although, as noted in TD/B/1087, it was too early to produce a quantitative assessment of the progress made, there was nevertheless a strong commitment on the part of the New Zealand Government to structural adjustment and to the need for an efficient domestic industry attuned to international competition.

641. New Zealand had undertaken major steps to diversify and open up its economy, and those measures testified to the country's firm commitment to trade liberalization. However, attempts to strengthen the economy of New Zealand in that way were being frustrated because the areas of activity in which New Zealand was genuinely competitive had to face major barriers and distortions within the international market-place. In the agricultural sector, there were very real constraints on growth, and those constraints had obliged New Zealand to diversify its export markets. He regretted that exporters from New Zealand found themselves trading in those new markets against products which were competing unfairly with the aid of massive subsidies, and he looked forward to a new round of MTN to restore a balance of rights and obligations in trade, to extend international disciplines to the agricultural sector and to inject a measure of equity and rationality into international trade in agriculture. He fully shared the aspirations of developing countries in that context.

642. With regard to the question of "international costs and benefits", he expressed the view that there was no better way to focus the minds of Governments on the costs of protectionism and the benefits of structural adjustment than by practical examples based on sound economic analysis—free of jargon and generalities. A comprehensive analysis of the trade-distorting effects of, for example, artificial support policies in the agricultural sector would be of benefit to all. Such an analysis would require a reliable estimate of the actual margin of support, followed by a quantification of the extent of price depression and revenue loss flowing from it. That could, in turn, be put in the context of the impact it had on the development potential of agricultural exporting developing countries.

643. In accordance with the work programme set up at the twenty-eighth session of the Board (resolution 286 (XXVIII)), any analysis in the agricultural sector should be undertaken in a consistent way, with all countries and groups of countries being covered. Such an analysis would provide a good basis for assessing the assymetry of protectionism and structural adjustment. On the one hand, it would register in quantifiable terms the extent to which adjustment was required in the agricultural sector. On the other, it would indicate the extent to which protectionism resulting from failure to adjust inhibited the capacity of developing economies to grow in accordance with their comparative advantage. A short, sharp analysis covering developed and developing economies in the same depth could also draw together some interesting facts on the costs to other sectors in the economy that protectionism in agriculture imposed. To what degree, for example, was the international competitiveness of industry diminished by wages linked to a cost of living made artificially high by agricultural protectionism?

644. The representative of the *Union of Soviet Socialist Republics* said that the ever-increasing incidence of protectionist measures by leading market-economy countries, and particularly the discriminatory nature of many of those measures, was a matter of serious concern. In many cases, those measures affected imports not only from developing countries but also from socialist countries, including the USSR. They were particularly pronounced in the markets of the United States and the EEC.

645. The upsurge of protectionist and discriminatory restrictions in developed market-economy countries distorted flows of goods and introduced instability and uncertainty in international trade relations. The extension of such practices was further undermining such commonly accepted principles of international trade as non-discrimination and MFN treatment. Since the international trading system was based on those principles, that could not but lead to the erosion of the system as a whole. The application by some Western countries of discriminatory export restrictions on political grounds was also subverting the principles of international trade.

646. In the period 1980-1985 the foreign trade of the USSR had increased 1.5 times in volume, and in 1985 his country had maintained economic relations with 145 countries. Unfortunately, not all countries created equitable opportunities for the development of co-operation. The basic share of Soviet trade with devel-

oped market-economy countries was accounted for by Western Europe. However, for example in the EEC market, Soviet exports, particularly manufactured goods, encountered serious restrictions of a protectionist and discriminatory nature. In that connection, he referred to long-standing discriminatory quantitative restrictions on such Soviet goods as chemical and steel products, fibreboard, ball-bearings, non-ferrous metals, tractors, bulldozers, electric motors, consumer electronics and watches. The situation had lately deteriorated even further, since discriminatory quantitative restrictions had been extended so as to cover a number of new items, such as automobiles, sheet glass and pig iron. He also noted discriminatory import licensing procedures in Belgium and Italy and a higher level of tariff rates for cars in Spain, for carpets in Italy and even for black caviar in the EEC as a whole. In the EEC market, Soviet exports were also the target of such illegal practices as "voluntary export restraints". In addition, anti-dumping investigations were often used by the EEC as another discriminatory restriction. In 1985, they had been initiated against such imports from the USSR as ball-bearings and roller bearings, multiphase motors and refrigerators. A number of earlier investigations had been pursued.

647. With regard to Soviet trade with the United States, the United States was still refusing to grant MFN status to his country, which was the minimum prerequisite for the development of trade. The promise had been given in 1985 to discontinue the long-standing ban on furs, and he hoped that promise would be kept. There had also been a wide range of politically motivated import restrictions and unjustified accusations of dumping. In a number of cases the State Department had exerted pressure on United States firms to make them break signed contracts. There had also been examples of discriminatory application of trade policy instruments against Soviet exports in such countries as Japan, Sweden, Australia and Canada.

648. The above-mentioned facts had to be considered as specific examples illustrating the data in table 5 of TD/B/1081 (Part I), which showed that 33.5 per cent of socialist country exports to developed market economies had been subject to non-tariff measures. That was the highest ratio of all groups of countries. He regretted that, in the document, which he highly appreciated, that fact had not been commented upon, nor had any conclusions been drawn. He also pointed to the necessity, in the documentation, of using the terminology normally employed in UNCTAD with regard to the socialist countries of Eastern Europe.

649. Healthy trade and economic relations could only be built on the basis of equality, mutual benefit, respect for agreements and non-interference in internal affairs. Those principles were incompatible with attempts to use economic relations as a means of political pressure on other countries. In that regard, export control policies with regard to so-called "strategic goods", referred to by a number of Western countries, were contrary to such principles. If continued, such policies could only lead to a reduction of mutual trade, since socialist countries would never buy obsolete merchandise.

650. With regard to the guidelines for the economic and social development of the USSR for the period 1986-1990 and for the period ending in 2000, adopted by the XXVII Congress of the Communist Party of the Soviet Union, held in February-March 1986, he indicated that, in the 15 years to come, the national income of the USSR was to nearly double and labour productivity was to increase 2.3 to 2.5 times. To achieve those goals, a large-scale restructuring of the national economy on the basis of the latest technological and scientific achievements was planned, along with substantial structural adjustment measures in the economy as a whole and in various industrial sectors, in particular machine building and consumer goods production. The plans for the accelerated social and economic development of the USSR were based primarily on the use of the internal resources of the country. However, they were propitious to the further development of Soviet participation in the international division of labour and the development of trade and economic co-operation on an equal and mutually beneficial basis with those countries prepared to abide by those principles. Different social and economic systems were not an obstacle to the development of trade. The formulation, at the current session, of effective recommendations aimed at alleviating protectionist and discriminatory measures would contribute significantly to the strengthening of the international trading system, to raising the efficiency of UNCTAD and to preparations for the seventh session of the Conference.

651. The representative of *Canada* said that there was a great deal of concern in Canada over the rise in protectionism in recent years, particularly in the form of non-traditional measures often involving sector-specific non-tariff barriers and restrictions. Such measures only served to hinder the resolution of debt problems and prevented the structural adjustment necessary to foster export-led growth. The effects of such protectionism were evident, not only in the case of industrialized countries such as Canada but even more so in the case of developing countries. A return to stability in trading relations and expansion of disciplines in areas not currently covered would help promote trade expansion. He reaffirmed the will of Canada to continue to play an active and constructive role in obtaining the successful launching of the new round of MTN and in ensuring its early and successful conclusion.

652. Canada recognized that trade was but one aspect of the world economic environment and that it was also important to ensure a sound fiscal environment providing lower and more stable interest rates and fair tax systems that would promote competitiveness and efficiency. He made a detailed exposé of the positive measures taken by Canada regarding that requirement.

653. With regard to the analysis of non-tariff measures in the documentation prepared for the current session, the inclusion of some measures slanted the perception of the degree of protectionism that actually existed. Anti-dumping actions and countervailing duty actions were not protectionist measures, because they were in fact responses to trade practices which caused or threatened injury to Canadian products and were taken in accordance with agreed international rules and procedures.

654. With respect to the documentation on protectionism and structural adjustment, he welcomed the fact that some work had begun to focus on the question of

adjustment and domestic policies in non-industrialized countries. Nevertheless, in particular in TD/B/1081 (Part II), the analysis concentrated overwhelmingly on industrialized countries.

655. He took note of the improvement in tone and treatment that had taken place in UNCTAD documentation in recent years and expressed the hope that such improvement would continue.

656. The representative of *Austria* said that the current annual review of protectionism and structural adjustment was particularly important as it set the environment for possible treatment of the subject at the next session of the Conference.

657. With regard to TD/B/1081 (Part I), the considerable improvements made to the Data Base on Trade Measures were appreciated, but some basic problems remained unresolved. At its first session, the Intergovernmental Group of Experts on Definitions and Methodology Employed in the UNCTAD Data Base on Trade Measures had not attempted to tackle the question of defining what should be seen and identified as a "non-tariff measure", weighing carefully any possible restrictive effects of such measures. The Data Base itself apparently lacked any systematic approach in the selection of trade measures to be included and identified. That made meaningful verification of the data by national administrations practically impossible. As long as the basic questions of definitions and methodology had not been thoroughly discussed and solved, his Government was not in a position to authorize the public use of the Austrian file in the Data Base. Given the importance of the Data Base for many purposes, and in particular for the preparation of the annual review of protectionism and structural adjustment, his delegation sincerely hoped that it would prove possible to overcome the problems that continued to exist in that field through the joint efforts of all concerned in the near future.

658. The representative of *Algeria* stressed the importance attached by his delegation to the issue of protectionism and structural adjustment, given the current very dangerous situation facing the developing countries. He recalled also the importance of interdependence and the need to act jointly and objectively in order to reach satisfactory results which would be useful and which would resolve the crisis in which the international economy found itself. The documentation submitted by the secretariat was objective and positively analytical through the suggestions presented on the topic, and it made it possible to identify the non-tariff barriers standing in the way of products exported by the developing countries. Although protectionism could provide a short-term solution to domestic problems, it would adversely affect the international trading system as a whole and its consequences could turn against the countries using barriers and restrictions. His country therefore appealed to countries taking an optimistic view of the international economic situation to understand the needs of the developing countries and to co-operate with a view to putting an end to non-tariff barriers and facilitating a structural adjustment which corresponded to the trade and economic changes undergone by the developing countries.

659. The critical situation in Africa required a joint effort on the part of industrial and African countries in order to guarantee the minimum necessary progress in tackling the agricultural and food situation in the African continent. Loans and assistance were not enough to attain that goal; what was required was to stimulate production in the affected African countries by removing the barriers and restrictions which prevented the products of those countries from gaining access to markets of developed countries.

660. The developing countries were obliged to work and produce twice as much as planned in order, on the one hand, to repay interest on debt and on the other assure the minimum level of economic and social well-being in their countries.

661. He expressed the hope that the Board, at its current session, would adopt guidelines for the future programme on protectionism and structural adjustment. In that connection, the preparation and publication of the Data Base on Trade Measures would assist developing countries in avoiding some of the dangers of protectionism.

662. The representative of the *United States of America*, referring to the documentation prepared by the UNCTAD secretariat, said that there had been some improvement, particularly with respect to TD/B/1081 (Part I). There was, however, significant scope for further improvement, particularly with respect to TD/B/1081 (Part II) and TD/B/1086 and Corr.1. Her delegation had some problems with both the quantitative and qualitative analysis in the documents, and it was regrettable that the documentation relied so heavily on the UNCTAD Data Base on Trade Measures. Her country had serious difficulties with regard to the Data Base and did not believe that the latter was yet at a stage to provide credible and reliable analysis. The concerns it had expressed about the Data Base at the February meeting of the Intergovernmental Group of Experts were confirmed in the current documentation's use, almost interchangeably, of the terms "measures", "distortions" and "barriers" and in the idea that it would be possible to undertake unilateral action to remove those so-called distortions. Such an approach was not only unrealistic, given the current trading environment, but was also not plausible, given the nature of some of the so-called distortions. In fact, the situation was much more complex.

663. The Data Base included information on anti-dumping and countervailing duty investigations, but in all instances those investigations were initiated as a result of complaints of unfair trade practices. The information as contained in the Data Base was misleading and potentially harmful to trade because not all such investigations necessarily resulted in the imposition of additional duties. Her country, therefore, did not accept the presumption that those investigations were of a protective nature, in so far as in instances where duties were imposed, they were legitimate responses to unfair trade practices. References to countervailing and anti-dumping duties should therefore have no place in the Data Base. Her country would continue to work in good faith on improving the Data Base, recognizing the difficulties faced in that connection by the secretariat. At the meeting of the Intergovernmental Group of Experts, her country had

put forward a number of specific comments and questions with respect to the Data Base and had subsequently pursued those issues with the secretariat. It was unfortunate that the Group of Experts had been unable to reach a fully satisfactory result on the important question of definitions and methodology.

664. Her Government recognized the important role it played in the international trading system and tried to formulate national and international economic and trade policies which led to potentially beneficial opportunities for the trading system based on the principles of market forces and fair trade. The commitment of her country to standstill had not been an easy one to maintain. The actions of the United States Government, including the President's recent veto of the Jenkins Textile Bill and the denial of import relief to the footwear and copper industries, were significant examples of resistance to protection in the light of strong domestic pressures for relief from rising imports. In that connection, the United States Government was concerned with the future of the multilateral trading system and was convinced that the time had come to strengthen and improve its disciplines and procedures through a new round of trade negotiations in GATT.

665. The discussions in the Sessional Committee thus far had lacked congruity. The struggle against protectionism and the need for structural adjustment was common to all economies, no matter what their stage of development or prevailing economic system. The United States was saddened by the lack of acceptance of that basic fact and the notion that the process of adjustment was somehow the responsibility of Group B countries alone. Such an absence of realism could have drastic consequences for the future of the trading system.

666. The United States Government was currently confronted with protectionist pressures. As evidence of that, she cited figures on the growing United States trade deficit. In 1985, that trade deficit had widened sharply, increasing to $148.5 billion from a level of $123 billion in 1984. Overall imports had risen to $361 billion, an increase of 6 per cent. Both figures had thus attained record levels. The trade deficit in manufactured goods had expanded to $112.8 billion in 1985 from $88.7 billion in 1984. Manufactured exports from developing countries had totalled $69.7 billion in 1985, up nearly 5 per cent over 1984. The United States continued to absorb nearly 60 per cent of developing country exports of manufactures to the industrialized world. She recognized the need for appropriate domestic policies in order to respond to the needs of the economy. Hence, some changes had been implemented which she felt would lessen the pressures for protection in the United States and would even further stimulate economic growth at home and abroad. That was another aspect of the adjustment process.

667. Her country was concerned about the lack of opportunities for developing countries to export to developed country markets. That was vital to developing country economic growth and development. At the same time, the trading process worked both ways. Her country was vitally concerned also about its own export performance inasmuch as, without open access to international markets, the United States could not be expected to maintain its level of imports. As to the future of the multilateral trading system, therefore, she believed that her country had demonstrated amply why it was in the interests of all countries to participate in a new round of MTN.

668. Unfortunately, in UNCTAD, the topic of protectionism and structural adjustment had been translated into a narrowly focused discussion, which some suggested was based on "all give and no take" because of its almost exclusive focus on the importance of developing countries' access to the markets of industrialized countries. Although no one would dispute the importance of continued access to United States markets, such an approach gave a rather incomplete picture.

669. In the long run, mutual interests could best be served by recognizing that structural adjustment was not a process that concerned developed countries alone. It was a continual process which required even developing countries to act in a responsible manner to ensure that their development policies did not fuel the fires of protectionism in their own economies. Of course, even for the United States, that was easier said than done. However, some developing countries had been successful in applying an appropriate policy mix which had led to substantial economic growth and better performance in the international trading system. Some of those countries had reached advanced stages of development and as a result had acquired even greater influence in the multilateral trading system. If the level of dialogue in UNCTAD could be raised to a more balanced discussion of the common issues of protectionism and structural adjustment, all interests would be better served.

670. At the 5th meeting of the Sessional Committee, on 14 March 1986, the spokesman for *Group B* (Australia), referring to the draft resolution submitted by the Group of 77 (TD/B(XXXII)/SC.II/L.2), reemphasized that Group B did not consider that the last review of protectionism and structural adjustment before the seventh session of the Conference was an appropriate occasion for deciding on a new direction for UNCTAD's work on protectionism and structural adjustment. If there was to be a useful discussion during the current session of the Board, it would have to be on a basis different from that proposed by the Group of 77. Group B regretted that, in the draft resolution in question, no account had been taken of its views. Moreover, the draft resolution did not reflect the substantive and very interesting discussions held in the Committee. The draft resolution represented a step backwards from the constructive atmosphere in which the discussion of protectionism and structural adjustment had been conducted at the thirtieth-session of the Board. The Group did not hide its concern that that development might not bode well for the preparatory work leading up to the seventh session of the Conference.

671. The spokesman for the *Group of 77* (India) expressed disappointment with both the content and the tone of the statement made on behalf of Group B. He denied that the proposal of the Group of 77 was a step backwards. The work of the Sessional Committee was intended to include analysis and the question of the direction of future work. The Committee, as various delegations had recognized in their statements, should there-

fore elaborate proposals for concrete action for the period between the thirty-second session of the Board and the seventh session of the Conference. The current session of the Board had a special role to play precisely because of the preparations for the seventh session of the Conference. After five years of work in elaborating the work programme, which had resulted in only two annual reviews, the time had come to take stock of the results achieved and to consider how to make the instrument which had been developed by consensus more effective in dealing with the problems which all countries faced collectively. The Group of 77 was fully prepared to take into account alternative views and the reactions of other groups and to carry on the process of negotiation.

672. The spokesman for *Group D* (Hungary) said that his Group considered that the proposal of the Group of 77 contained elements which served the aim of increasing the efficiency of the annual reviews of the Sessional Committee. There were some elements which created problems for his Group, but that was normal in a process of negotiation. Group D was ready to continue giving serious consideration to the proposal of the Group of 77 and was sure that the problems of Group D would be taken into account with the same seriousness.

673. The *Director of the Manufactures Division* expressed appreciation for the comments made on the documents prepared by the secretariat, comments which would be taken into account in the secretariat's future work. He considered it necessary, in the light of those comments, to make a few observations with regard to the parameters determining the contents of the documentation which the secretariat prepared for the annual reviews. The main thrust of the documentation on protectionism and structural adjustment was determined primarily by Conference resolution 159 (VI) and Board resolution 286 (XXVIII), which established the work programme on protectionism and structural adjustment. The secretariat, conscious of the agreement established by the Conference and the Board with regard to giving commensurate attention to the situation of all sectors in all countries and groups of countries, had expanded the coverage of the studies to be as wide as possible.

674. In discharging its duties, the secretariat had made every effort to prepare documentation which would assist the Board in carrying out meaningful annual reviews and especially in performing its monitoring function. Given the multiplicity and complexity of issues to be covered, the source constraints and the documentation volume limitations established by the General Assembly, the secretariat had had to concentrate on the most important issues and problems affecting the development of international trade, bearing in mind the broad framework given by the aforementioned Conference resolutions and Board resolutions and decisions.

675. In section I.B of Conference resolution 159 (VI), all countries had agreed that structural adjustment was a global and ongoing phenomenon which should be facilitated with a view to ensuring optimum overall growth. In its resolution 131 (V), the Conference had recognized the global character of the subject and the need to promote active co-operation in that area. Section I.E of the recommendations and measures adopted by the Conference in its resolution 96 (IV) on structural adjustment read:

> "Developed countries should facilitate the development of new policies and strengthen existing policies that would encourage domestic factors of production to move progressively from the lines of production which are less competitive internationally, especially where the long-term comparative advantage lies in favour of developing countries, thus providing, *inter alia*, larger export possibilities for the developing countries and contributing to the attainment of their development objectives. The development and strengthening of such policies would encourage the redeployment of the industries of the developed countries which are less competitive internationally to developing countries, thus leading to structural adjustments in the former countries and a higher degree of utilization of natural and human resources in the latter. Such policies may take into account the economic structure and the economic, social and security objectives of the developed countries and the need for such industries to move into more viable lines of production or into other sectors of the economy."

The secretariat had been guided by those resolutions in the preparation of the documentation.

676. With regard to TD/B/1086 and Corr.1 on agro-industrial production and trade, the secretariat had tried to identify the main elements affecting the export prospects of that sector in developing countries, with particular emphasis on African countries and the least developed countries. The document was regarded by the secretariat as an initial step in the consideration of specific issues in the area of structural adjustment.

677. He provided certain clarifications regarding the Simulation Model in the light of the comments made thereon by various delegations. The UNCTAD secretariat had gone to considerable lengths to argue the need for liberalization, emphasizing the potential benefits to all countries. It had also attempted, within the constraints it had freely acknowledged in the documentation, to quantify the potential benefits in order to give focus to the arguments. In the absence of any particular liberalization scenario agreed among Governments, the secretariat had chosen a series of alternative scenarios which represented, in a sense, the maximum direct trade gains that might be expected from tariff liberalization by developed countries. In adopting that approach, account had been taken of the provisions of Conference resolution 159 (VI), as well as of the links between international trade and the solution of balance-of-payments problems, including the indebtedness of developing countries, as agreed in paragraph 2 (*b*) of Board resolution 286 (XXVIII). As pointed out in the documentation, the methodology used in the model was widely applied among trade experts. One particular misconception about the UNCTAD model needed to be emphasized—the Data Base on Trade Measures had not been used in connection with the modelling exercise. Information had been collected on the *ad valorem* equivalent of non-tariff distortions from other sources, including IMF, FAO and the United States Federal Trade Com-

mission. That point had been made in the documents for the thirtieth session and the current session of the Board.

678. The *Chairman* said that the discussion in the Committee had been very comprehensive in coverage and of a high quality. The introductory statement by the Director of the Manufactures Division and the documentation prepared by the secretariat had served as a very good basis for the discussions. The participants had dealt with a wide range of issues, analysing them in depth. The meaningful discussions that had taken place during the first week of the session were the best proof that international trade issues, especially the problems of protectionism and structural adjustment, constituted the key component of any approach to promoting the sustained growth of the world economy and, in particular, ensuring the accelerated growth and development of developing countries.

679. The representative of *Brazil*, referring to the point made by the representative of the EEC to the effect that TD/B/1081 (Part I), paragraph 18, should have pointed out that the voluntary export restriction arrangement between Brazil and the EEC had been reached at the request of Brazil, said that he could not agree with that point. It was evident that no country ever voluntarily asked for the negotiation of voluntary export restraints on its own exports. The negotiation between Brazil and the EEC in the matter in question had been a very complex and delicate one. He therefore considered that the paragraph in question should not be modified.

680. At the 6th (closing) meeting of Sessional Committee II, on 20 March 1986, the *Chairman* said that, during the Committee's general debate, a wide range of issues had been analysed and a number of concrete proposals had been made. Delegations had dealt with those problems most relevant to their own countries and groups, and the national statements made had been most useful. The documentation provided by the secretariat had proved useful, though differing views had been expressed on that documentation, especially with regard to country coverage.

681. A number of delegations had devoted particular attention to the situation of the agricultural sector in world trade. Several delegations, from both developed and developing countries, had taken the view that the secretariat should carry out a more detailed analysis of the situation in the agricultural sector, and specific proposals had been made to that effect. In addition, all groups were agreed that the problems of the least developed countries in respect of protectionism and structural adjustment deserved particular attention.

682. The discussions in Sessional Committee II had shown that UNCTAD, the Trade and Development Board and Sessional Committee II had a very important role to play. In that connection, most delegations had emphasized that it was high time to move from words to deeds in the implementation of long-standing agreements and recommendations.

683. Unfortunately, the positive aspects of the session had been overshadowed by the Committee's inability to achieve any positive outcome. That was to be regretted. On 13 March 1986, the spokesman for the Group of 77 had introduced draft resolution TD/B(XXXII)/SC.II/L.2. Group D and China had accepted that draft resolution as a basis for discussion, while Group B had stated that the last review of protectionism and structural adjustment before the seventh session of the Conference was not an appropriate occasion for deciding on a new direction for UNCTAD's work and that it was not ready to enter into detailed negotiations on the basis of the proposal of the Group of 77. The Chairman's Contact Group had held two meetings, but no progress had been made towards arriving at positive results. At the second meeting of the Contact Group, the spokesman for Group B had made an oral submission setting out a number of possible elements for conclusions. However, after a detailed exchange of views, he (the Chairman) had concluded that no sufficient basis existed on which to reach an agreement on substance. That view had been shared by the spokesmen for the regional groups.

684. The spokesman for *Group B* (Australia), introducing a position paper (TD/B(XXXII)/SC.II/L.3) on the outcome of the discussions in Sessional Committee II submitted on behalf of the States members of Group B, said that Group B fully appreciated the useful, wide-ranging and constructive discussions that had taken place in Sessional Committee II at both plenary and informal meetings. Group B had addressed itself to the substance of the issues, as described in the mandate of the Committee, although not every point had been covered. It had attempted to focus the discussion on the real issues of protectionism and structural adjustment.

685. It had become clear, as the discussions progressed, that a convergence of views of all groups and China would be difficult to achieve, and indeed it had not been possible in the end to arrive at any kind of agreed conclusions. That should not be construed as reflecting a stubborn attitude on the part of any of the participants; rather it resulted from the fact that delegations had been addressing issues on which they held different views. The current session should therefore be regarded as part of a productive process that in the end would do what it was designed to achieve, namely to give the countries members of UNCTAD a more complete and better understanding of the problems and challenges of protectionism and structural adjustment and of ways of dealing with them.

686. Group B saw little point in concluding meetings in UNCTAD without having made every effort to achieve what was possible and realistic in the circumstances. In that spirit, it had looked for a way that might lead to a constructive compromise, and as a result it had been able to present certain elements that could be used as building blocks in whatever summary of the Committee's discussions could finally be arrived at. It was with sincere regret that Group B noted that its well-intended effort had not necessarily been seen by all groups as bearing promise. That would not in any way affect Group B's determination to look for constructive common positions in the future.

687. Nevertheless, there should be no misunderstanding about Group B's position on draft resolution TD/B(XXXII)SC.II/L.2. Group B continued to regard that draft resolution as unacceptable as a basis for negotiation. However, that clear-cut stand should not be mis-

interpreted to mean that Group B was insensitive to the difficulties caused by protectionist actions or that it was in any way less than committed to positive structural adjustment policies. It had stated its commitment to a strengthened and improved trading system in UNCTAD and in other forums. It was aware of the necessity for market access and would also pursue the common goal of trade liberalization and trade expansion in the context of a new round of MTN. Group B countries were fully aware of their role and their place in the open multilateral trading system. They were also aware of the dangers that a seeming lack of concern for the interests of the developing countries, including the least developed, might present, and they had been careful during the current session to look at those aspects in a most positive and pragmatic way. However, it must not be forgotten that the international trading system offered many more opportunities than impediments for increased trade.

688. As already stated, it remained the conviction of Group B that UNCTAD had a role to play in furthering the prospects of growth through balanced analytical work and discussion leading to a deeper understanding of protectionism, structural adjustment and trade liberalization among all its members, regardless of stage of development or dominant economic system.

689. A number of ideas had been put forward during the course of the Committee's debate which should serve all countries as the basis for a well-balanced discussion of the issues. In that context, Group B expressed its appreciation for the increased number of high quality national statements given at the current session. Group B requested that its position paper be annexed to the report of the Board.

690. The spokesman for the *Group of 77* (India) expressed regret that the Committee had not been able to achieve any concrete or meaningful results. That regret was all the more acute because the current session of the Board had provided the last effective opportunity before the seventh session of the Conference for carrying out review and analysis leading to negotiated conclusions and recommendations in the important area of protectionism and structural adjustment. The Group of 77 had looked forward to the opportunity offered by the current session in a positive frame of mind and had contributed to meaningful debate in the Sessional Committee both collectively and individually. Eager to see the work of the Committee conducted in an expeditious and constructive manner, the Group of 77 had made its statement at the first substantive meeting of the Committee and, with a view to facilitating concrete conclusions and actions, it had introduced draft resolution TD/B(XXXII)SC.II/L.2 at an early stage.

691. The draft resolution submitted by the Group of 77 had been an attempt to carry forward the work of the Sessional Committee with greater effectiveness and within a coherent framework of analysis and action. Although the two previous annual reviews had proved useful, the mechanism for review now needed to be made more effective. That need had arisen because, in spite of commitments entered into in previous Conference and Board resolutions and decisions, protectionist measures continued to be applied in sectors of crucial importance to developing countries such as agriculture, steel, textiles and clothing, leather and footwear, petrochemicals and consumer electronics. Indeed, in some of those sectors, there had been an intensification of such measures. It was the widening gap between promise and performance that had led the Group of 77 to formulate concrete proposals to provide a coherent framework for analysis and actions. The draft resolution proposed by the Group of 77 on the one hand reiterated the categorical commitments undertaken in the past and on the other attempted to give a clear sense of direction and impetus to future work within Sessional Committee II and the Board on protectionism and structural adjustment.

692. The Group of 77 was happy to note that both Group D and China shared the general thrust and approach of the draft resolution and considered it a good basis for constructive negotiation. However, the reaction of Group B had been both surprising and inexplicable. Group B had stated that any useful discussion on the subject at the current session would have to be on a basis other than that proposed by the Group of 77, but that rather negative assertion had not been substantiated by any convincing argument, nor had Group B furnished any additional basis for discussion. The Group of 77 had made it clear that it was always willing to give consideration to the ideas and proposals of other groups. Unfortunately, Group B had not reciprocated, nor had it made its own proposals. As a result, no substantive progress had been made, and the absence of progress, coming at a most critical stage in the work of the Committee, represented a very disappointing and disturbing development.

693. With regard to the position paper introduced by the spokesman for Group B, it was difficult to react immediately, but the paper appeared to amount to a virtual rejection of all the basic elements contained in the draft resolution submitted by the Group of 77. It was to be regretted that the timing and the content of the paper submitted on behalf of Group B ruled out any possibility of serious negotiation. The Group of 77 was extremely disappointed at a turn of events whereby a valuable opportunity for constructive negotiations on a burning issue had been totally missed. Such a development could have wider ramifications.

694. The Group of 77 requested that draft resolution TD/B(XXXII)/SC.II/L.2 be annexed to the report of the Board. Although the position paper of Group B had been submitted well after the deadline for submission of formal proposals, the Group of 77, out of a spirit of constructive accommodation, would not oppose the request of Group B that the position paper be annexed to the report.

695. The spokesman for *Group D* (Hungary) said that the annual reviews on protectionism and structural adjustment carried out in accordance with Conference resolution 159 (VI) and Board resolution 286 (XXVIII) were useful and important. All the countries members of Group D had taken an active part in the deliberations of Sessional Committee II, both collectively and individually, and had clearly set out their positions with regard to the problems under review.

696. The general debate had been interesting and useful and had demonstrated that protectionist barriers

and other non-tariff measures, especially when applied in a discriminatory manner, continued to constitute a serious threat to international trade and hinder the necessary structural adjustment process. The general debate could have produced a good foundation on which to consider the issue at the seventh session of the Conference.

697. Group D had welcomed the proposal submitted by the Group of 77 aimed at increasing the efficiency of the review process and strenghtening that process with a view to achieving concrete results. Group D had been prepared to consider that proposal as a basis for negotiation at the current session of the Board. Naturally, in the course of the negotiations, Group D would have thought to introduce formulations taking account of the legitimate interests and preoccupations of Group D countries. Group D highly appreciated the positive attitude of the Group of 77 towards the problems raised by Group D countries.

698. Group B had introduced a position paper and had asked for that paper to be annexed to the report. That request had been made at a very late stage in the proceedings, and it would be recalled that a similar request to annex a draft resolution to the Board report submitted by Group D at the thirtieth session of the Board had been rejected. Nevertheless, in a constructive spirit, Group D would not oppose Group B's request.

699. With regard to the substance of the position paper, its approach was neither equitable nor properly balanced, nor did it reflect the realities of the current problems in international trade. Protectionist measures were country-specific issues and should be considered in the context of the countries imposing them and the countries affected by them. The review should not therefore be only general in nature. Similarly, issues relating to structural adjustment should not be treated in isolation from those of protectionism, since they represented two sides of the same problem.

700. Discussions in the Committee had produced useful and concrete suggestions regarding studies that the secretariat could prepare for future sessions. It was to be hoped that the secretariat would follow up those proposals. It was regrettable that the Sessional Committee had not been able to achieve concrete results which would have served to increase the efficiency of the review process and which would have contributed to the further implementation of the relevant UNCTAD resolutions and decisions concerning protectionism and structural adjustment.

701. The representative of *China* said that the review of protectionism and structural adjustment had duly shown the seriousness of the situation. However, various constructive suggestions had been made. The international trading system continued to be hampered as a result of the fact that protectionism was increasing in terms of both the number of protectionist measures and their seriousness. As indicated in most of the statements made in the Committee, the developing countries were bearing the brunt of the problem and their trade and economic development was being negatively affected.

702. It was important that efficient and concrete measures be taken to tackle the problem. It was to be regretted that the Committee had not succeeded in reaching an agreement, but the work carried out by the Committee had made it possible for countries' mutual understanding to be increased. His delegation appreciated the efforts made by the Group of 77 to advance the Committee's work.

703. With regard to the position paper of Group B, his delegation, in a spirit of co-operation, would not oppose its annexation to the report. However, the current instance must not be used as a precedent. If papers were produced at the last minute, the situation would get out of control.

Action by Sessional Committee II

704. At its 6th (closing) meeting, Sessional Committee II took note of the report of the Intergovernmental Group of Experts on Definitions and Methodology Employed in the UNCTAD Data Base on Trade Measures (TD/B/1088).

705. The Sessional Committee also decided to recommend that the draft resolution submitted by India on behalf of the States members of the Group of 77 and the position paper on the outcome of the discussions in Sessional Committee II submitted by Australia on behalf of the States members of Group B be annexed to the report of the Board.

Consideration in plenary meeting

Action by the Board

706. At its 687th meeting, on 21 March 1986, the Board took note of the report of the Intergovernmental Group of Experts on Definitions and Methodology Employed in the UNCTAD Data Base on Trade Measures (TD/B/1088).

707. At the same meeting, it decided to annex to its report draft resolution TD/B(XXXII)/SC.II/L.2, submitted by India on behalf of the States members of the Group of 77, and the position paper on the outcome of the discussions in Sessional Committee II, submitted by Australia on behalf of the States members of Group B (TD/B(XXXII)/SC.II/L.3). (For the texts, see annex III below.)

Chapter VI

OTHER MATTERS IN THE FIELD OF TRADE AND DEVELOPMENT

(Agenda item 8)

OTHER BUSINESS

(Agenda item 10)

A. Assistance to Cape Verde, Vanuatu and Uganda (Board decision 311 (XXX))

(Agenda item 8 (a))

708. At its 681st meeting, on 11 March 1986, the Board took note of the report by the UNCTAD secretariat entitled "UNCTAD activities in favour of Cape Verde, Vanuatu and Uganda" (TD/B/1084).

B. Technical co-operation among developing countries: co-operative exchange of skills among developing countries

(Agenda item 8 (b))

709. The *President* recalled that, at its thirtieth session, the Board had endorsed the conclusions and recommendations of the Meeting of Governmental Experts on Co-operative Exchange of Skills among Developing Countries, paragraph 9 of which called for the preparation of a study by the Secretary-General of UNCTAD.[29]

710. The *Deputy Director, Officer-in-Charge of the Technology Division*, in replying to a query made by the spokesman of *Group B*, stated that the study mentioned in paragraph 9 of the agreed conclusions and recommendations of the Meeting of Governmental Experts on Co-operative Exchange of Skills among Developing Countries would be carried out within the regular budget. He also confirmed that the study would be submitted at the fifth session of the High-level Committee on the Review of Technical Co-operation among Developing Countries for consideration and action.

711. At the 686th meeting, the *President* introduced a draft decision (TD/B/L.796), which he submitted following informal consultations, whereby the Board would request the Secretary-General of UNCTAD to prepare the study mentioned in the agreed conclusions of the Meeting of Governmental Experts.

Action by the Board

712. At its 686th meeting, on 20 March 1986, the Board adopted the draft decision submitted by the President (for the text, see decision 327(XXXII)).

713. The representative of *Saudi Arabia* observed that, although his delegation was willing to agree to the adoption of draft decision TD/B/L.796 by consensus, it had for some years been wishing to place on record its view that consultants engaged in the preparation of studies should not act in their individual capacities. The least that could be said of some of those consultants was that they were expert in all matters except the research they were called upon to undertake. By way of example, he mentioned the study entitled "Co-operative exchange of skills—Institutional and policy issues"[30] submitted to the Meeting of Governmental Experts on Co-operative Exchange of Skills among Developing Countries. That study had dealt with the co-operative exchange of skills among developing countries. The consultants involved came from a single country and were, in fact, representing the labour-exporting countries. Furthermore, and that was a deplorable fact, they had used the study as a vehicle of propaganda for their own country, changing the actual facts prevailing in other countries. Even worse, the UNCTAD secretariat had distributed the study without its having been studied beforehand. The least the secretariat should have done was to ensure that it fell within the framework of the directives for the preparation of such studies.

714. For those reasons, the Saudi Arabian delegation wished to insist on the following points: (*a*) consultants had to be neutral and had to represent skill-importing and -exporting States; (*b*) studies had to be comprehensive and had to take account of all the countries concerned on the basis of equitable geographical distribution; (*c*) within the framework of those studies, they should not go beyond the conclusions or recommendations of the meeting on co-operative exchange of skills among developing countries; (*d*) the studies should be carried out within the framework of technical co-operation and exchange of skills among developing countries exclusively and should not include unskilled workers; (*e*) the UNCTAD secretar-

[29] *Official Records of the Trade and Development Board, Thirtieth Session, Annexes*, agenda item 6, document TD/B/1043, annex.

[30] TD/B/943 and Corr.1.

iat should review the studies and circulate them to Governments for their comments before they were submitted to the High-level Committee on the Review of Technical Co-operation among Developing Countries.

C. Critical economic situation in Africa

(Agenda item 10)

715. At its 679th meeting, the Board took note that, under agenda item 10 (Other business), it would hear an oral progress report on the contribution of the UNCTAD secretariat to the preparations for the special session of the General Assembly devoted to the critical economic situation in Africa, to be held in May 1986.

716. At the 686th meeting, *the Deputy Secretary-General,* delivering the report said that, as soon as the decision had been taken to convene the special session, UNCTAD had been involved in the preparations for that important meeting. UNCTAD had, moreover, made a substantial contribution to the documentation which would serve as a basis for the discussions to be held in May.

717. He also noted that UNCTAD had been requested to comment on some elements of the document which would be co-ordinated by the Director-General for Development and International Economic Co-operation, Mr. Jean Ripert, and submitted at the special session by the United Nations Secretariat. Those comments related primarily to two chapters of the document dealing with agricultural and financing problems; further comments on raw materials were being prepared. The UNCTAD secretariat had also been requested to take part in the preparation of a second document which would be submitted jointly to the special session by the OAU and ECA. At the request of those two bodies, UNCTAD had therefore sent two of its economists to Addis Ababa.

718. In its contributions to the special session, UNCTAD had referred to a number of analytical considerations, but had paid particular attention to the nature and modalities of the practical measures that could be rapidly implemented in order to solve the most urgent African problems. In that connection, UNCTAD had focused on two main subjects: commodity issues and finance problems.

719. UNCTAD's analysis had dealt primarily with the problems which the African countries faced as a result of the dependence of their export earnings on the international prices of raw materials. UNCTAD had drawn attention to and analysed the adverse effects of the tendency of those prices to drop and the disruption caused by their growing instability. It had also referred to the African continent's declining share of world exports of raw materials and to the growing importance of the rise of protectionism. The resulting paradoxical situation was that, although all available international and national measures had to be taken so that the African countries might fully develop their potential as exporters of raw materials, those countries also had to become less dependent on their exports of raw materials: efforts to stabilize prices and earnings therefore had to be combined with national export diversification policies.

720. With regard to debt in particular and to external financial resources in general, UNCTAD had endeavoured to draw attention to the most salient features of a particularly disturbing situation: although there had been a slight increase in aid flows to Africa, total net financial transfers (concessional and non-concessional) to that continent had declined steadily in recent years. As a result, there had been repeated debt reschedulings, a steady increase in payment arrears and a gradual deterioration of solvency and reserves. If, in the case of trade, current trends continued, the situation in the African continent as a whole would become even worse. It would be illusory to think that there could be any spontaneous reversal of such trends: that would be possible only if determined and concerted international action was taken.

721. He then described UNCTAD's position on practical measures, stressing that, on such a critical matter as the current situation in most African countries, UNCTAD had tried to win acceptance for a pragmatic approach by stressing, whenever possible, that the special session offered an opportunity to make the international community face up to its responsibilities and take practical action.

722. He stated that, in view of the key role which the commodities sector would inevitably play in African rehabilitation and development, the first step which many countries in that continent had to take was to try to return to the ranks of exporters of raw materials. To that end, there were many improvements that those countries themselves could make in the productivity of the activities in question and in the effectiveness of the related marketing and distribution techniques; the geographical diversification of such exports and regional co-operation also had to be promoted.

723. UNCTAD had also tried to make it clear that, even if the African countries themselves made far-reaching efforts to deal with the crisis, such efforts would be doomed to failure if those countries could not rely on a favourable international situation and that the international community had to give them the necessary political, financial and technical support. Any international efforts to stabilize commodity prices (and earnings) would serve that purpose, as would reductions in the many existing non-tariff measures.

724. As to finance, priority had to be given to increased flows of official assistance, as well as to access to IMF facilities that would be suited to the African countries' medium-term and long-term adjustment possibilities; a selective new issue of special drawing rights might also help to improve their current liquidity position. At the same time, the African countries' production structures could be rehabilitated only by means of a pluriannual agreement by donors to increase concessional resources.

725. Although it was very tempting to try to find global solutions to debt problems, it must be borne in mind that the African countries differed greatly in that regard and a new assistance programme for those countries would therefore have to be designed on the basis of a case-by-case approach. The discussion of specific problems such as arrears, debts relating to export credits

and debts contracted *vis-à-vis* multilateral institutions would sooner or later require restructuring or refinancing on sufficiently concessional terms. That element also had to be considered from the broader point of view of the mobilization of new resources.

726. He stressed that UNCTAD's participation in the work of the special session would be undertaken in addition to its programme of work on the specific problems of African countries and that the studies carried out by UNCTAD in that field went far beyond the temporal and institutional framework of the special session. It was also obvious that UNCTAD's activities to help rehabilitate the African continent would continue to be carried out after the special session had ended and that UNCTAD intended to take part in the follow-up to the measures which would be adopted and would continue to be at the disposal of member States in order to undertake, within the limits of available resources, activities that would again enable the African continent to decide on and manage its development process.

727. The spokesman for the *African Group* (Egypt) expressed appreciation of the analytic report of the Deputy Secretary-General on the situation in Africa and UNCTAD's role in the preparations for the special session of the General Assembly on the critical economic situation in the continent.

728. That situation was at a very difficult stage and was caused by elements beyond the control of the African countries involved, among which were the foreign economic environment, drought and desertification. The crisis, which was extremely extended, was therefore unique in character and the General Assembly had decided to convene a special session to co-ordinate international efforts to help the African countries overcome it.

729. It was not only an economic crisis; despite the gravity of the situation economically speaking it was also a social crisis which extended to humanitarian problems. In that connection, it was sufficient to mention the prevailing hunger and malnutrition. Thus, a main concern of the African States was to overcome the food problem. UNCTAD's work in studying the problems of the developing countries was well known and the greater part of its technical assistance was devoted to the most affected African countries.

730. He was sure that, at the special session, the role to be played by international assistance would be defined and that to be played by UNCTAD and the other organizations of the United Nations system would be specified.

731. Citing the UNCTAD study on drought in the countries south of the Sahara, he observed that such work should be extended to other areas visited with the same phenomena. UNCTAD was playing an important role in respect of commodities and likewise in respect of assistance to the least developed countries, three quarters of which were in Africa. The problems of the latter were identical with those of many other African countries.

732. UNCTAD was focusing attention on the problem of debt and the African countries were sure that the international community would devote special attention to it at the special session of the General Assembly. The African countries hoped that all facilities would be made available at the special session so that the African States could overcome the crisis and resume the path of development and freedom as a result of concerted efforts at that session.

733. The representative of *Senegal* expressed appreciation of the statement by the Deputy Secretary-General on the critical economic situation of African countries, stressing at the same time the contribution that Africa expected of UNCTAD. That statement described the contribution made by UNCTAD in matters of agriculture, financing, primary commodities, and the financing of debt. The substantive discussion of those matters was for the General Assembly to undertake at its special session. The African countries had entered into a decisive phase in preparing for that special session. The secretariats of ECA and the OAU, helped by other international bodies, had made their contribution to the preparations and were providing assistance in their respective fields with a view to working out the Priority Programme for Economic Recovery,[31] for the period 1986-1990, adopted at Addis Ababa in July 1985 at the twenty-first ordinary session of the Assembly of Heads of State and Government of the OAU. The African countries welcomed any concrete and specific proposals and UNCTAD had already made a good start in that respect.

734. The special session would be the first of its kind in the annals of the United Nations and, in preparing for it, all resources available to the African countries from within were certainly being deployed. International assistance was a considerable contribution to the efforts being deployed by the African countries. Those countries hoped that the debate at the special session would be marked by commitments and that it would mark the start of investment programmes in each sector, on a solid basis. That related to the long-term development of Africa but there were problems that had arisen which called for concerted practical action. It went without saying that the special session should be a conference where commitments were undertaken. The economic crisis in Africa called for considerable efforts in matters of reform and economic adjustment undertaken by the African countries and plans that had already been envisaged by them and reflected in the initiatives against drought and desertification.

735. The UNCTAD documents on the Sahel reflected the struggle being fought against desertification and drought. An organization against desertification and drought in eastern Africa, such as existed already in another part of Africa, had been established on the initiative of the Chairman of the OAU Assembly, the head of Government of Senegal.

736. The necessary data which would make it possible to translate priority programmes into an operational process were being collected and it was to be hoped that the international community in its entirety would lend a

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[31] See A/40/666, annex I.

favourable ear to the African countries' cause. Although Africa was currently the least developed continent, the economic potentialities together with the human resources did exist and there was a further great potential in terms of regional international co-operation. The Chairman of the OAU Assembly had made an appeal to all the countries of the world to ensure participation at the special session at the highest political level. Furthermore, the document on which work had begun in Addis Ababa would be submitted to the preparatory Committee of the Whole for the Special Session of the General Assembly on the Critical Economic Situation in Africa.

737. With the help of UNCTAD and other organizations of the United Nations providing assistance to Africa, it should be possible to take the greatest advantage of the special session in the interests of Africa and international co-operation.

Action by the Board

738. At its 686th meeting, on 20 March 1986, the Board took note with appreciation of the report by the UNCTAD secretariat and agreed that it should be brought to the attention of the General Assembly at its special session on the critical economic situation in Africa.

739. At its 688th meeting, on 26 March 1986, the Board decided to submit to the General Assembly at its special session the section of its report dealing with the critical economic situation in Africa (paras. 715-737 above) and, pursuant to its decision 328 (XXXII) of 21 March 1986, the section dealing with the implementation of the medium-term and long-term recovery and rehabilitation programme in the Sudano-Sahelian region (paras. 414-422 above), together with the report by the UNCTAD secretariat in document TD/B/1082.

Chapter VII

INSTITUTIONAL, ORGANIZATIONAL, ADMINISTRATIVE AND RELATED MATTERS

(*Agenda items 1, 9, 10 and 11*)

A. Opening of the session

740. The thirty-second regular session of the Trade and Development Board was opened by the outgoing President, Mr. Martin Huslid (Norway).

B. Election of officers

(*Agenda item 1* (a))

741. At its 679th (opening) meeting, on 10 March 1986, the Board elected as President, Mr. Witold Jurasz (Poland); as Vice-Presidents, Mr. Saif bin Hashil Al-Maskery (Oman), Mr. Gerald P. Carmen (United States of America), Mrs. Anna Doynova (Bulgaria), Mr. Pierre-Louis Girard (Switzerland), Mr. Frans Klinkenbergh (Netherlands), Mr. Poedji Koentarso (Indonesia), Mr. Alan Oxley (Australia), Mr. Samuel E. Quarm (Ghana), Mr. Ronald Ramirez Gonzalez (Costa Rica), Mr. Hamida Redouane (Algeria); and as Rapporteur, Mr. Arturo Hotton Risler (Argentina).

C. Adoption of the agenda and organization of the work of the session

(*Agenda item 1* (b))

742. At its 679th (opening) meeting, on 10 March 1986, the Board adopted as its agenda for the thirty-second session the provisional agenda approved by the Board at its thirty-first session (TD/B/1080), introducing five sub-items into item 7. (For the agenda as adopted, see annex I below.)

743. Also at its 679th meeting, the Board broadly endorsed the suggestions made by the secretariat for the organization of the work of the session (TD/B/1080/Add.2) and decided to establish two sessional committees of the whole. Sessional Committee I would consider and report on items 2, 7 and 10 (*a*), Sessional Committee II on item 6. All other items would be considered in plenary meeting.

744. At the same meeting the Board decided to set up a Contact Group of the President.

Sessional Committee I

745. Sessional Committee I held seven meetings, from 10 to 21 March 1986. At its opening meeting, it elected Mr. C. J. Groth (Sweden) as Chairman and Mrs. A. Arce de Jeannet (Mexico) as Vice-Chairman-*cum*-Rapporteur.

746. At its 7th meeting, on 21 March 1986, Sessional Committee I considered and adopted, with one amendment, its draft report (TD/B(XXXII)SC.I/L.1 and Add.1). It authorized the Rapporteur to complete the report for submission to the Board.

747. At the 687th meeting of the Board, on 21 March 1986, the Chairman of the Committee introduced the report of the Committee, as amended and completed by TD/B/L.802.

748. At the same meeting, the Board adopted the report of Sessional Committee I for incorporation, as appropriate, in the report of the Board on the first part of its thirty-second session.[32]

Sessional Committee II

749. Sessional Committee II held six meetings, from 10 to 20 March 1986. At its opening meeting, it elected Mr. D. Vujičić (Yugoslavia) as Chairman and Mrs. M. Whelan (Ireland) as Vice-Chairman-*cum*-Rapporteur.

750. At its 6th meeting, on 20 March 1986, Sessional Committee II considered its draft report (TD/B(XXXII)SC.II/L.1 and Add. 1-3) and adopted it with a number of amendments. It authorized the Rapporteur to complete the report for submission to the Board.

751. At the 687th meeting of the Board, on 21 March 1986, the Chairman of the Committee introduced the report of the Committee, as amended and completed by TD/B/L.799.

752. At the same meeting, the Board adopted the report of Sessional Committee II for incorporation, as appropriate, in the report of the Board on the first part of its thirty-second session.[33]

D. Treatment of new States members of UNCTAD for the purposes of elections

(*Agenda item 9* (a))

753. At its 679th meeting, on 10 March 1986, the Board noted that the membership of UNCTAD remained

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[32] The substance of the report of Sessional Committee I is incorporated in chapters III and IV of the present report.

[33] The substance of the report of Sessional Committee II is incorporated in chapter V of the present report.

unchanged since its twenty-ninth session and stood at 168.[34]

E. Announcement of any changes in the membership of the Board and election to membership of main Committees

(*Agenda item 9* (b))

754. At its 679th meeting, on 10 March 1986, the Board noted that its membership remained unchanged from its thirty-first session and stood at 129.[35]

755. At the same meeting, the Board elected the United Arab Emirates to the Committee on Commodities and Cyprus to the Committee on Economic Co-operation among Developing Countries and confirmed the composition of its main Committees, with the addition of those two States members.[36]

F. Adoption of the report on credentials

(*Agenda item 1* (c))

756. At its 687th meeting, on 21 March 1986, the Board adopted the report of the Bureau on credentials (TD/B/1095).

757. The representative of *China* stated, with regard to the credentials of the delegation of Afghanistan, that the position of the Chinese delegation as expressed at the fortieth session of the General Assembly remained unchanged.

758. The representative of *Pakistan* said that his delegation wished to place on record its reservation with regard to the credentials of Afghanistan for the reasons stated by the delegation of Pakistan at the fortieth session of the General Assembly.

759. The representative of *Afghanistan* expressed his objections to the statements by the representatives of China and Pakistan and reaffirmed the position of the delegation of Afghanistan as stated at the thirty-seventh and fortieth sessions of the General Assembly.

760. The representative of the *Union of Soviet Socialist Republics*, referring to the statements made in connection with the credentials of the delegation of Afghanistan, confirmed the position of the Soviet Union concerning the representation of Afghanistan which was reflected in the relevant documents of the General Assembly and UNCTAD, in particular the report of the Credentials Committee of the fortieth session of the General Assembly and the report of the Committee on Credentials at the sixth session of the Conference. The credentials of Afghanistan were in good order and there was no justification for calling them in question.

761. Furthermore, he confirmed the position of the Soviet Union with regard to the credentials of Chile, as stated at the fortieth session of the General Assembly and the sixth session of the Conference.

762. The representative of *Saudi Arabia* confirmed the position of his delegation with regard to the representation of Afghanistan. Saudi Arabia had no relations with Afghanistan and he expressed his delegation's reservations with regard to the delegation of Afghanistan.

763. The representative of *Chile*, referring to the statement by the representative of the Soviet Union, said that the credentials of the Chilean delegation always had been, and still were, in good order and were equally as good as those of the Soviet delegation.

764. The representative of the *United States of America* confirmed the position of his delegation with respect to the credentials of Afghanistan as stated in the report of the Bureau on credentials.

G. Membership and attendance[37]

765. The following members of UNCTAD, members of the Board, were represented at the session: Afghanistan, Algeria, Angola, Argentina, Australia, Austria, Bahrain, Bangladesh, Barbados, Belgium, Benin, Bhutan, Bolivia, Brazil, Bulgaria, Burkina Faso, Burma, Burundi, Byelorussian Soviet Socialist Republic, Cameroon, Canada, Chile, China, Colombia, Costa Rica, Côte d'Ivoire, Cuba, Cyprus, Czechoslovakia, Democratic People's Republic of Korea, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Ethiopia, Finland, France, Gabon, German Democratic Republic, Germany, Federal Republic of, Ghana, Greece, Guatemala, Guinea, Haiti, Honduras, Hungary, India, Indonesia, Iran (Islamic Republic of), Iraq, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kenya, Kuwait, Lebanon, Libyan Arab Jamahiriya, Liechtenstein, Luxembourg, Madagascar, Malaysia, Malta, Mexico, Mongolia, Morocco, Namibia, Nepal, Netherlands, New Zealand, Nicaragua, Nigeria, Norway, Oman, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Qatar, Republic of Korea, Romania, Saudi Arabia, Senegal, Singapore, Somalia, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Syrian Arab Republic, Thailand, Trinidad and Tobago, Tunisia, Turkey, Ukrainian Soviet Socialist Republic, Union of Soviet Socialist Republics, United Arab Emirates, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Uruguay, Venezuela, Viet Nam, Yemen, Yugoslavia, Zaire.

766. The following other States members of UNCTAD were represented at the session: Democratic Kampuchea, Holy See, Rwanda.

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[34] For the list of members, as revised by the Conference at its sixth session, see *Proceedings of the United Nations Conference on Trade and Development, Sixth Session*, vol. I, *Report and Annexes* (United Nations publication, Sales No. E.83.II.D.6), part one, Other decisions: (*a*). For subsequent action by the Board, see *Official Records of the Trade and Development Board, Twenty-seventh Session, Supplement No. 1* (TD/B/973 (vol. I)), Other decisions: (*a*), and *ibid., Twenty-ninth Session, Supplement No. 1* (TD/B/1026 (vol. I)), Other decisions: (*g*).

[35] See *Official Records of the Trade and Development Board, Thirty-first Session, Supplement No. 1A* (TD/B/1077 (vol. II)), annex V.

[36] *Ibid.*, annex VI.

[37] For the list of participants, see TD/B/INF.149.

767. The African National Congress of South Africa and the Pan Africanist Congress of Azania participated pursuant to General Assembly resolution 3280 (XXIX). The South West Africa People's Organization participated pursuant to General Assembly resolution 31/152.

768. The Economic Commission for Europe, the Economic Commission for Latin America and the Caribbean, the Economic Commission for Africa, and the United Nations Development Programme were represented at the session. The International Trade Centre UNCTAD/GATT was also represented.

769. The following specialized and related agencies were represented at the session: International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, World Health Organization, World Bank, International Monetary Fund, International Maritime Organization, World Intellectual Property Organization, United Nations Industrial Development Organization. The International Atomic Energy Agency was represented at the session. The General Agreement on Tariffs and Trade was also represented at the session. The World Tourism Organization was also represented at the session.

770. The following intergovernmental organizations were represented at the session: Association of Iron Ore Exporting Countries, Council for Mutual Economic Assistance, European Economic Community, European Free Trade Association, Intergovernmental Committee for Migration, League of Arab States, Organisation for Economic Co-operation and Development, Organization of African Unity, Organization of the Petroleum Exporting Countries, Permanent Secretariat of the General Treaty on Central American Economic Integration.

771. The following non-governmental organizations in the general category were represented at the session: Friends World Committee for Consultation, Inter-Parliamentary Union, International Bar Association, International Chamber of Commerce, International Confederation of Free Trade Unions, International Co-operative Alliance, International Council of Women, International Foundation for Development Alternatives, Society for International Development, United Towns Organization, World Federation of Trade Unions, and in the special category: Council of European and Japanese National Shipowners' Associations, International Association of Islamic Banks.

H. Designation of intergovernmental bodies for the purposes of rule 78 of the rules of procedure of the Board

(*Agenda item 9* (c))

772. At its 681st meeting, on 11 March 1986, the Board noted that no applications had been received from intergovernmental bodies for designation for the purposes of rule 78 of the rules of procedure.

I. Designation and classification of non-governmental organizations for the purposes of rule 79 of the rules of procedure of the Board

(*Agenda item 9* (d))

773. The representative of the *Union of Soviet Socialist Republics* recalled that, at its previous session, the Board had decided to postpone a decision on the application under the item by the International Union of Students[38] for inclusion in the list provided for under rule 79 of the rules of procedure and that a decision on the matter had thus to be taken by the Board.

Action by the Board

774. At its 686th meeting, on 20 March 1986, the Board approved the applications (TD/B/R.45/Add.1 and 2) by two non-governmental organizations for designation under rule 79 of the rules of procedure of the Board for the purpose of that rule and rule 81 of the rules of procedure of the Conference and decided, in accordance with the recommendations of the Secretary-General of UNCTAD (see TD/B/1094), that they should be classified as follows:

General Category

Lutheran World Federation (LWF)

Special Category for the UNCTAD organs indicated (other than the Board)	*UNCTAD organ*
Association of Soluble Coffee Manufactures of the Countries of EEC (AFCASOLE)	Committee on Commodities Committee on Manufactures

775. In addition, the Board decided, on the recommendation of the Bureau, to take up the application for status of the International Union of Students at its thirty-third session.

776. Also, at its 686th meeting, the Board took note of the disbandment of the Association of European Jute Industries, which had been granted special category status at the first part of its ninth session.

777. At the same meeting, the Board took note that the Standing Conference of Chambers of Commerce and Industry of the EEC, a non-governmental organization which had been granted general category status at the Board's seventh session, had changed its name to EUROCHAMBERS.

J. Provisional agenda for the fifteenth special session and the thirty-third regular session of the Board and organization of the work of the sessions

(*Agenda item 1* (d))

778. At the 687th meeting, the *President* drew attention to the provisional agenda for the fifteenth special session of the Board (TD/B/L.798) and the thirty-third regular session (TD/B/L.797).

[38] TD/B/R.44.

Action by the Board

779. At its 687th meeting, on 21 March 1986, the Board adopted the provisional agenda for its fifteenth-special session (see annex IV below) and for the thirty-third regular session (see annex V below).

780. The Board also authorized the President, in consultation with the Secretary-General of UNCTAD, to adjust the provisional agenda for its thirty-third regular session in the light of any further decision taken by the Board at its current session and other developments. It requested the Secretary-General of UNCTAD to consult delegations regarding the organization of the session and to circulate his suggestions thereon.

781. The spokesman for *Group D* (Union of Soviet Socialist Republics), referring to the provisional agenda for the fifteenth special session of the Board (TD/B/L.798), said that the position of Group D on compensatory financing, which had been stated several times at sessions of the Conference and the fourteenth special session of the Board, was that the problem of compensatory financing and export earnings shortfalls of developing countries could not be regarded in isolation from the other factors that influenced the situation of commodities in the world economy. That being so, Group D felt that the special session of the Board could not be confined to examining the problem of setting up additional or auxiliary frameworks for compensatory financing. The Board should take other issues into account in examining any schemes of compensatory financing, in particular the role of TCNs in the production and processing of commodities in developing countries and the reasons for the problems that occurred, especially the financial problems. It was on that basis that the Group D countries would regard the convening of the fifteenth special session of the Board.

782. Referring to the provisional agenda for the thirty-third session of the Board (TD/B/L.797), he pointed out that the thirty-third session of the Board would take place after the International Conference on the Relationship between Disarmament and Development, scheduled to be held in July/August 1986. He reiterated the strong conviction of his Group that the results of that Conference would be of direct relevance to the activity of UNCTAD, in particular for the preparations for the seventh session of the Conference. It was therefore important for the Secretary-General of UNCTAD to inform the Board at its thirty-third session of the results of that Conference. That aspect should be duly reflected in the documentation prepared for the thirty-third session, in particular in the annotations to the provisional agenda.

K. Scheduling of sessions of the Board

(*Agenda item 9* (e))

783. At the 680th meeting on 10 March 1986, the President of the Board at its thirty-first session, in his capacity as *Chairman of the Informal Working Group on the Scheduling of the Regular Sessions of the Board*, introduced his report on the work of the Group (TD/B/1092).

784. At the same meeting, the Board decided to refer the sub-item to the Contact Group of the President.

785. At the 687th meeting, the *President* introduced two draft decisions: "Rescheduling of the Trade and Development Board sessions" (TD/B/L.803) and "Rationalization of the Trade and Development Board sessions" (TD/B/L.804), both of which he submitted after informal consultations with regional co-ordinators.

Action by the Board

786. At its 687th meeting, on 21 March 1986, the Board adopted the draft decisions submitted by the President (for the texts, see decisions 333 (XXXII) and 334 (XXXII), respectively).

L. Amendment of the rules of procedure of the Trade and Development Board

(*Agenda item 10* (b))

787. At its 687th meeting, on 21 March 1986, the Board decided, since it had not been able to complete its work under item 9 (*e*), to take up at a future session the question of the amendment of its rules of procedure in the light of any decision taken by it on the scheduling of its sessions.

M. Review of the calendar of meetings

(*Agenda item 9* (f))

788. Under item 9 (*f*), the Board had before it a note by the UNCTAD secretariat (TD/B/L.793 and Add.1), containing the draft calendar of meetings for the remainder of 1986 and a tentative schedule for 1987.

789. During the course of the session, an informal group met a number of times to review the calendar of meetings, as a result of which the UNCTAD secretariat circulated a note containing a revised draft calendar for the remainder of 1986.[39]

790. At the 687th meeting, on 21 March 1986, the *representative of the Secretary-General of UNCTAD* indicated certain adjustments to be made to the revised draft calendar for the remainder of 1986, in the light of further consultations on the matter. He also stated that in the informal consultations on the calendar, the representative of the Group of 77 had proposed that a footnote should be attached to the entry concerning the fifth session of the Intergovernmental Group of Experts on Restrictive Business Practices, scheduled to be held from 13 to 24 October 1986, stating that "the scheduling of this meeting is subject to the consultations to be undertaken pursuant to General Assembly resolution 40/192". He added that the representative of Group B had indicated that his Group could not accept the inclusion of such a footnote in the calendar.

791. The spokesman for the *Group of 77* (Egypt) said that, under General Assembly resolution 40/192, consultations were to be held with regional groups and

[39] TD/B(XXXII)/CRP.2.

Governments on the reconvening of the United Nations Conference to Review All Aspects of the Set of Multilaterally Agreed Equitable Principles and Rules for the Control of Restrictive Business Practices. Until such consultations had been held, his Group could not accept the scheduling of the fifth session of the Intergovernmental Group of Experts on Restrictive Business Practices.

792. The spokesman for *Group B* (Switzerland) said his Group saw no causal relationship between the consultations called for under General Assembly resolution 40/192 and the holding of the fifth session of the Intergovernmental Group of Experts on Restrictive Business Practices. The Intergovernmental Group had been established under the Set of Multilaterally Agreed Equitable Principles and Rules, and should meet annually. Group B could consider changing the dates of the meeting—as long as it was held in 1986—but could not agree that there was any link with the consultations under General Assembly resolution 40/192.

793. The spokesman for the *Group of 77* (Egypt) said that the Set of Principles and Rules had called for a review Conference. At the United Nations Conference to Review All Aspects of the Set, held in November 1985, a proposal had been made to change the status of the Intergovernmental Group to that of a Special Committee. The General Assembly, in resolution 40/192, had called for consultations on the reconvening of the Conference, and thus the scheduling of the Intergovernmental Group of Experts should be subject to those consultations. The issue was not a question of dates, but one of not prejudging the outcome of the consultations called for by the General Assembly.

794. The spokesman for *Group B* (Switzerland) said his Group could not agree with those arguments. The consultations were something quite independent from the question of the scheduling of the Intergovernmental Group, which under its mandate must meet in 1986.

795. After some further discussion, in which the spokesmen for the *Group of 77* (Egypt) and *Group B* (Switzerland) took part, the *President* suggested that the Board should defer a decision on the calendar of meetings until it resumed on 26 March 1986.

796. At the 688th meeting, on 26 March 1986, the spokesman for the *Group of 77* (Chile) proposed that a footnote should be attached to the entry in the calendar concerning the fifth session of the Intergovernmental Group of Experts on Restrictive Business Practices, to read as follows:

> "Exact date to be confirmed in the course of Secretary-General's consultations so that a final decision on the dates of the Intergovernmental Group of Experts meeting in 1986 will be taken at the resumed session of the Board."

He added that his Group was proposing this wording after negotiating an agreement in consultations with the spokesman for Group B.

Action by the Board

797. At its 688th meeting, on 26 March 1986, the Board adopted the calendar of meetings for the remainder of 1986, including the adjustments indicated by the secretariat and the footnote proposed by the Group of 77 (see paragraphs 790 and 796 above), together with a schedule of meetings for 1987 (see decision 335 (XXXII)).

N. Administrative and financial implications of the actions of the Board

(*Agenda item 9* (g))

798. At its 681st meeting, on 11 March 1986, the Board was informed that the cost of the study mentioned in paragraph 9 of the agreed conclusions and recommendations of the Meeting of Governmental Experts on Co-operative Exchange of Skills among Developing Countries[40] would be absorbed by the regular budget (see paragraph 710 above).

O. Adoption of the report of the Board

(*Agenda item 11*)

799. At its 688th meeting, on 26 March 1986, the Board adopted the draft report on the first part of its thirty-second session (TD/B/L.795 and Add.1-18) and authorized the Rapporteur to complete the final version as appropriate. It further authorized the Rapporteur under the authority of the President, to prepare, in accordance with the guidelines contained in its decision 302 (XXIX), the report of the Board to the General Assembly at its forty-first session (see, in this connection, paragraphs 426 and 739 above).

800. The representative of *France* said that, as not all parts of the draft report were available in French, his delegation's acceptance of it could only be provisional, pending circulation of the French version.

801. The representative of *Spain* said that his delegation did not oppose adoption of the draft report, even though parts of it were not available in Spanish. That, however, should not be considered to be a precedent.

P. Adjournment of the session

802. At the 688th meeting, on 26 March 1986, the *President* declared the thirty-second session of the Board adjourned until 16 June 1986, in accordance with its decision 331(XXXII).

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[40] See footnote 29.

Chapter VIII

CLOSING STATEMENTS AT THE 687th MEETING

803. The spokesman for the *Group of 77* (Chile) observed that the current session had not been an easy one; coming as it did on the eve of the seventh session of the Conference, it was the beginning and the first step on the way to that Conference. The start was always difficult as delegations began to feel their way through the intricate problems that faced them. The achievement of the Board, if measured in terms of volume of resolutions and decisions, might appear to be very little. However, delegations had made some steps forward. The Board had adopted a pragmatic decision on the Conference which was to launch the process of finalizing the agenda. It had not been an easy task because the Board had been trying to put together an agenda that was commensurate with the gravity of the world economic situation and the grave and serious problems facing the economies of all countries. It was not an easy task and no one could expect that hard and firm decisions could be arrived at in a matter of a few days. But there had been deep, thought-provoking exchanges and the Group of 77 wished to register its appreciation to Group B, and Group D and China for having put forward their views. Those views would certainly be a useful input into the Group of 77's own thinking and contribute to its work. Nevertheless, the Group of 77's concern was that agenda items and the organization of the work of the seventh session of the Conference should lead to action-oriented decisions.

804. An illustration of the seriousness of the Group of 77 was the fact that it had decided to establish its own preparatory committee to commence immediately its work on further developing its thinking on the agenda and organization of the seventh session of the Conference.

805. It might appear that delegations had not had a vast visible exchange of views in official meetings, but momentous exchanges of views, discussions and thinking had taken place in the smaller rooms and corridors.

806. The thrust and tone of the session's work had been set by the Secretary-General of UNCTAD. The Group of 77 appreciated his opening statement and his paper on the agenda of the seventh session of the Conference. His mandate to continue his consultations was evidence of the Board's trust and confidence. The Group of 77 also appreciated the active role that the Secretary-General had taken during the Board in the official and unofficial meetings.

807. As to the question of the scheduling of sessions of the Board, the decisions arrived at showed that difficulties could be overcome. It also renewed the Group of 77's faith in the modalities of consensus and negotiations.

808. The in-depth discussion and individual statements on the question of interdependence and debt constituted a vast input to the understanding of the problems related to those two issues. The total contents of the statements made would enrich thinking and would be an excellent source of information in the substantive preparations for the seventh session of the Conference.

809. There were other positive signs in Sessional Committee I, among them the constructive spirit that had led to a more practical recognition and concern regarding the negative effects of drought and desertification in Africa.

810. A positive spirit also had led the Committee to a more positive attitude towards the painful problems of the least developed countries. That was reflected by the consensus decision inviting the Secretary-General of UNCTAD to start consultations—as soon as possible—on matters related to the 1990 review and appraisal of the Substantial New Programme of Action for the 1980s for the Least Developed Countries called for by the General Assembly in its resolution 40/205. In that regard the Group of 77 had presented, clearly, its views and proposals which would serve as a basis for the Secretary-General's consultations.

811. The Group of 77 was extremely disappointed with the outcome of Sessional Committee II. The review of protectionism and structural adjustment was undoubtedly one of the major items on the agenda of the current session and the subject had acquired increasing importance of late. That had been the last effective opportunity before the seventh session of the Conference for the Sessional Committee to review and analyse the current situation, in depth, and come to negotiated conclusions and recommendations. The Group of 77 had made every attempt to ensure that the debate would be constructive and substantive. It had submitted a draft resolution during the first week of the session with recommendations intended to bring about progress in the work of the Committee within a coherent framework of analysis and action. The Group of 77 had approached the debate with an open mind, willing to consider other constructive proposals and suggestions.

812. Much to its regret, one group had not been willing to enter into discussion on the subject on the basis of that draft resolution, though the others were prepared to negotiate on the basis of that text. Moreover, that group was not forthcoming with its own specific proposals either, resulting in the loss of virtually the entire critical second week of the session. The Group of 77 was therefore disappointed with the manner in which, as a consequence, events had transpired in the Sessional Commit-

tee. That the Sessional Committee could not culminate its proceedings with a negotiated agreement was all the more disappointing at a time when much was heard of the need to "improve the efficiency and working of UNCTAD", particularly when the preparatory phase for the seventh session of the Conference had begun.

813. The Group of 77 hoped that, in the even more intensive phase of negotiations which lay ahead, it would encounter a more constructive, and hopefully receptive, attitude from all.

814. The spokesman for *Group B* (Switzerland) said his Group felt the current session to have been somewhat uneven; some features had been positive, others rather less so. Group B had noted the President's summary and conclusions with interest and understood them as advanced on the President's own authority rather than as reflecting a common view.

815. Group B had already made clear its view that there should be one major debate on interdependence each year and experience at the current session confirmed that view. By comparison with the excellent debate in the Board the previous September, the exchange of views at the current session had been somewhat colourless and unoriginal. The key to the annual interdependence debate should be the annual *Trade and Development Report*. The previous year's useful document had set the tone for constructive discussion.

816. Group B noted the statement by Peru on behalf of the Group of 77 under item 4, which contained ideas and views which could damage the process of reaching a realistic solution of the debt problems of individual developing countries. Although a thorough review of the question of protectionism and structural adjustment had been anticipated, based on the agreement on the work programme reached at the twenty-eighth session of the Board, it must be admitted that there had been a less productive approach, which had precluded effective progress. Group B, too, hoped that at the thirty-third session all groups would approach the review of the trading system in a constructive spirit.

817. Group B had attached considerable importance to making progress on the question of rescheduling the sessions of the Board and rationalization of the sessions of the Board to demonstrate that UNCTAD was determined to improve its working methods. It was thus pleased that some limited progress appeared to have been achieved and the Secretary-General had agreed to pursue the task. Group B hoped that results could be achieved before the thirty-third session of the Board.

818. At that stage all should look forward to the challenge presented by the seventh session of the Conference. Group B believed a useful beginning had been made in the preparations at the current session of the Board; it welcomed the Secretary-General's paper and noted that he remained open-minded as to the exact form of the agenda and the approach to be adopted, including the cross-sectoral approach which Group B had advocated. The paper contained much that should be applicable to all groups in the further preparations for the seventh session. A major concern of Group B was to avoid repeating the mistakes of the sixth session. It strongly believed that UNCTAD would benefit from seizing the opportunity to take a fresh approach to the Conference and thus prove that it could adapt to the changing environment and demonstrate its relevance in discharging its broad-ranging mandate under General Assembly resolution 1995(XIX). What was required was continuity combined with the flexibility to adjust to change. Group B had been pleased to receive the inputs from Group D and China, which it would study carefully, and looked forward to that of the Group of 77. Group B expected to enter into intensive dialogue with the other groups and believed that early decisions on the date and venue of the Conference would expedite the preparatory work.

819. The spokesman for *Group D* (Union of Soviet Socialist Republics) said that clearly it should have been possible to achieve more than had been achieved at the current session of the Board. However, the limited results were due not in any way to imperfections in UNCTAD's machinery, but rather to the lack of political will on the part of certain participants. Sessional Committee II had furnished a clear example. From the outset, Group D had shown a desire to solve problems as quickly as possible, in order to open the way to active preparation for the seventh session of the Conference. Although the Board had not succeeded in doing all it had hoped to do, Group D still thought that work done on the question of the seventh session of the Conference had taken the matter forward. His Group was grateful to the Secretary-General of UNCTAD for his valuable and useful statement of ideas and concepts on the seventh session of the Conference. Group D would study with interest the documents submitted by other regional groups and would participate actively in the consultations which were to be held on that question.

820. He also noted with satisfaction the positive trend whereby the discussions on problems of interdependence resulted in certain conclusions, although it was a pity that there had so far been no formal agreed conclusions on the item. However, Group D highly appreciated the efforts made by the President, following the efforts made by the President of the Board at its thirty-first session, to submit to the Board a detailed summary of the results of the discussion on that extremely important subject.

821. The representative of *China* stated that the discussions at the current session had been extremely intensive with regard to preparations for the seventh session of the Conference; the Secretary-General had prepared an excellent document, Group B and Group D had made their respective contributions and the Group of 77 would submit its proposals in the near future. The existing documents showed that all sides shared common views as to the selection of key items and the Chinese delegation hoped that the Secretary-General's consultations would result in the submission of a final document on the agenda for the seventh session.

822. There had been a full exchange of views in Sessional Committee II on protectionism and a general recognition that the phenomenon must be checked and that the international trading system must be improved and strengthened. However, delegations should not content themselves with a general exchange of views, nor should their final goal be verbal commitments with regard to a standstill on protectionism. Words must be

translated into actions and actions must have results. His delegation hoped that the commitments in Conference resolution 159 (VI) and Board decision 310 (XXX) would be implemented without delay.

823. The introductory statement by the Secretary-General of UNCTAD had provided much food for thought and the President had made a comprehensive summing up of the debate on interdependence. The Chinese delegation was grateful for that and for the co-operative attitude of the regional groups at the current session.

824. The representative of the *United States of America* said that, in the view of his delegation, the current session of the Board had not done very much—if anything—to enhance the cause of economic development anywhere in the world. While poverty and misery had continued throughout much of the world, the Board had debated whether a paper should be read aloud or appended to a report, or had grappled with the insurmountable problem of how to schedule a couple of meetings a year and how to report on them. While thousands continued to face starvation, whether from drought or because of wrong economic policies which the Board might usefully have discussed, the Board had generated cleverly drafted papers on what should be discussed in a year's time when the Conference was convened in even greater numbers and at even greater expense. One could hardly conclude that the activities engaged by the Board had done anything to improve the lives of those it supposedly sought to help. Such activities might ensure that a talented secretariat continued to exist, even if many of its staff might wonder what purpose most of their work served. But it was clear to his delegation that the work of UNCTAD was now back at square one. Not only was there no agreement on precisely what subjects to discuss, but there was also fundamental disagreement on how subjects should be dealt with in UNCTAD, even if the participants were able to identify them. Nothing would be usefully done in UNCTAD until the Board thoroughly discussed, understood and resolved that fundamental difference. The behaviour of the Board would be likened to that of children in a schoolyard who could not agree on whether to play with a round ball or an oblong one and, if they did at last agree, were unable then to decide whether to throw the ball around or to kick it. When it grew dark and it was time to go home, they were found to have argued much but to have achieved nothing of what they had set out to do. Likewise, the Board should realize that it was growing dark outside and that it was missing the game.

825. He recalled that two years earlier his delegation had called for some changes which it thought might improve the work of UNCTAD and provide the basis for a useful look at what UNCTAD was doing and how. For all practical purposes, there had been no response to that call. The implications of that disregard were clear and the results were evident. The United States believed that UNCTAD could best play a serious and useful role in bettering the lives of people everywhere by providing a forum for reasoned discussion of ideas—new and old—aimed at increasing the wealth and well-being of the peoples of the developing world. At the moment, UNCTAD did not seem to come close to being such a forum. At the current session of the Board, his delegation had put forward a modest proposal that UNCTAD might have a serious look at small business as a generator of new jobs in the developing countries. That might or might not be a good idea for UNCTAD and its secretariat to consider. But the response to the proposal had been a deafening silence. Had any delegation taken the floor to say that it considered it a bad idea or an inappropriate subject for UNCTAD, the United States would at least have been encouraged at the prospect of a serious dialogue, a genuine exchange of views. But the ensuing silence gave cause to wonder whether anyone really wanted to trade new ideas in UNCTAD.

826. He stated his belief that the most productive, interesting and stimulating activity for the Board would be to engage in real discussion. The focus of such discussion should be the matters that make for economic development, largely the policies and practices of individual countries and Governments. Such discussion would logically lead to a productive work programme for the UNCTAD secretariat. Unless there was agreement that such discussion was the best way to proceed, he was doubtful whether the results of UNCTAD in 5, 10 or 20 years' time would look any better than they did now.

827. The representative of *Venezuela* expressed his delegation's support for the statement made by the spokesman for the Group of 77. As for the statement by the representative of the United States of America, he wished to make two observations. First, on the role of small and medium-sized enterprises in generating employment in the developing countries, he said that developing countries had a generally favourable attitude to such enterprises. At the same time, it was necessary to take account of the mandates of those United Nations specialized agencies, such as UNIDO and ILO, which were already engaged in high-quality work in that field. There was thus a need to avoid duplication of work in that area—an aspect which could not fail to be of interest to the United States.

828. His second observation concerned the aptness of the parable of the children playing in the schoolyard. As he saw it, the shape of the ball was irrelevant. What had in fact happened was that the strongest boy had taken away the only ball and had invited other children to play in his own backyard. But they were naturally reluctant to accept that invitation and they continued to insist that UNCTAD was the best field for all.

829. The representative of the *United States of America* thanked the representative of Venezuela for at least beginning the kind of discussion which the United States delegation welcomed and felt to be useful, and congratulated him on his statement.

830. In his closing statement, the *President* said that, although it had not proved possible to arrive at a successful outcome in respect of the item on protectionism, the time and effort spent on deliberation of it would not have gone to waste. When the problem of protectionism and structural adjustment was next broached, the Board would already have before it a firm basis on which to commence its negotiations, and from which to arrive at a more fruitful outcome.

831. As to agenda items 3 and 4, on which he had elaborated his ideas in his summary and conclusions, he said that the current session had provided delegations with an opportunity to exchange ideas to form a sound basis for the start of further negotiations.

832. Although many problems were still outstanding in the finalization of the preparations for the seventh session of the Conference, with the goodwill of all at the resumed session, the Board would soon be in the position to have a firm idea of where it was heading.

833. He concluded with a quotation from the address of Mr. Olof Palme, late Prime Minister of Sweden, at the sixth session of the Conference, in Belgrade:

> "Economic and political considerations are indivisible in today's international situation. We are living through a crisis that is particularly serious, not least because political instability and economic difficulties are intertwined. Economic problems accentuate political tensions and vice versa."
>
> ". . . We must now, together and in a spirit of solidarity, change our world from its state of crisis—our common crisis—into a world of progress and security—our common progress and our common security."[41]

Tribute to Mr. H. Brillantes, representative of the Philippines

834. At the 687th meeting, the *President* drew attention to the impending departure of Mr. H. Brillantes (Philippines), paying a tribute to his eminent qualities and the outstanding contributions he had made to UNCTAD in the 20 years of his association with the organization as representative of the Philippines.

835. Thanking the President and reviewing his period of service with UNCTAD, *Mr. Brillantes* called on member States to re-examine their policies, attitudes and commitments in the real contexts, dimensions and magnitudes of the problems of concern to the international community as a whole.

836. As to the preparations for the seventh session of the Conference, he observed that, given the time constraint, the consultations on the formulation of a draft agenda could not be pursued as purely preliminary and not binding but should lead to definite and concrete texts as opposed to "perceptions" or "reflections". He appealed to all members of the Board to ensure that there should be "more consultation than confrontation and more accommodation than isolation".

837. He assured the Board that the new President and Government of the Philippines would uphold the goals and objectives of international economic co-operation and would exert all efforts so that, through goodwill and mutual understanding, the world would soon be a place of peace, justice and equality for all.

838. The *Secretary-General of UNCTAD* also paid a tribute to Mr. Brillantes, whose empathy, perceptiveness, and unfailing sense of the ingredients of consensus had caused him to become an institution in UNCTAD. His technical knowledge of development problems and mastery of procedure and his political faith and courage had been an inspiration to all. He stressed the contribution that Mr. Brillantes had made to the growth and development of UNCTAD.

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[41] See footnote 2.

ANNEXES

Annex I

AGENDA OF THE THIRTY-SECOND SESSION OF THE TRADE AND DEVELOPMENT BOARD

1. Procedural matters:
   (*a*) Election of officers;
   (*b*) Adoption of the agenda and organization of the work of the session;
   (*c*) Adoption of the report on credentials;
   (*d*) Provisional agenda for the fifteenth special and thirty-third regular sessions of the Board and organization of the work of the sessions.
2. Specific matters arising from the resolutions, recommendations and other decisions adopted by the Conference at its sixth session requiring attention or action by the Board at its thirty-second session.
3. Interdependence of problems of trade, development finance and the international monetary system.
4. Debt and development problems of developing countries.
5. Seventh session of the United Nations Conference on Trade and Development.
6. Protectionism and structural adjustment.
7. Matters requiring action by the Board arising from or related to reports and activities of its subsidiary and other bodies.
   (*a*) Least developed countries;
   (*b*) Shipping;
   (*c*) Economic co-operation among developing countries;
   (*d*) Commodities;
   (*e*) Medium-term plan and programme budget.
8. Other matters in the field of trade and development:
   (*a*) Assistance to Cape Verde, Vanuatu and Uganda (Board decision 311 (XXX));
   (*b*) Technical co-operation among developing countries: co-operative exchange of skills among developing countries.
9. Institutional, organizational, administrative and related matters:
   (*a*) Treatment of new States members of UNCTAD for the purposes of elections;
   (*b*) Announcement of any changes in the membership of the Board and election to membership of main Committees;
   (*c*) Designation of intergovernmental bodies for the purposes of rule 78 of the rules of procedure of the Board;
   (*d*) Designation and classification of non-governmental organizations for the purposes of rule 79 of the rules of procedure of the Board;
   (*e*) Scheduling of sessions of the Board;
   (*f*) Review of the calendar of meetings;
   (*g*) Administrative and financial implications of the actions of the Board.
10. Other business.
11. Adoption of the report of the Board.

Annex II

PRESIDENT'S SUMMARY AND CONCLUSIONS IN RESPECT OF AGENDA ITEMS 3 AND 4

1. The Trade and Development Board has completed its general debate, which focused as usual on the key issues of interdependence of trade, development, finance and the international financial system as well as on the debt and development problems of the developing countries. We have also discussed at some length the question of preparations for the seventh session of the Conference. Our debate, constructive and thorough, has been largely assisted by the lucid and convincing analysis of the situation given in the thought-provoking statement of the Secretary-General of UNCTAD, which set the tone for our further discussions.

2. Our general debate portrays a world economy beset by a multifaceted crisis, structural tension and a high degree of uncertainty. True, in the market-economy countries the protracted recession has been succeeded by the beginning of an economic upturn—but the long-sought recovery is far from secure. Unemployment there remains high and growth is still relatively weak. The pace of economic expansion in these countries and for that matter in the world economy as a whole last year was strongly influenced by the cyclical slow-down in the United States. The views differ on whether this phase of economic recovery is already coming to an end or whether there is still a chance that the general upward trend will continue.

3. So far, the recovery has been modest, which partly accounts for the depressed state of commodity markets and in the recent price declines for oil and other commodities. Interest rates have declined, but they are still very high in real terms. These factors, together with the persistence of protectionism, the large budgetary deficits of some major trading countries, the paucity of private capital flows, and the modest pace of ODA and other official flows, have resulted in continued adverse tendencies in the external financial and trading environment aggravating particularly difficulties of the developing countries.

4. It was recognized that development was in crisis, denoting not only the dismal prospects of the developing countries but also the breakdown of the original development consensus. This has been more than amply illustrated by the critical situation in Africa and the economic ordeal of the least developed countries. Without a more stable and supportive international economic environment, the large majority of the developing countries will not have recovered, even by the second half of the decade, from the dramatic setback suffered in the early 1980s.

5. As for the socialist countries of Eastern Europe, the dispassionate overview indicates that there has been an improvement in their short-term economic situation. The current stage of development of most of these countries can best be described as one of transition from the extensive economy to intensive growth patterns based, *inter alia*, on a much faster pace of progress in science and technology. All in all, the world economy remains both fragile and unstable and the sustained improvement of the conditions for growth constitutes a primary economic policy objective.

6. Resisting the temptation, for the sake of brevity, to tackle the main issues involved, I cannot bypass in silence the alarming international debt situation which synergically combines all the deficiencies of the world economy and its mechanisms. For some, the world crisis seemed to have been at least defused, mainly as a result of the debt rescheduling operations. However, increasing concern has recently been voiced, also during this session, about the renewed intensification of the debt crisis in the light of the latest trends, such as the lower exports of major debtor countries, decline in interest rates appearing to have come to an end and rather meagre results of the stabilization measures in many countries in their growth-cum-debt process in spite of considerable reductions in real incomes.

7. Fortunately, perceptions of the debt problems also evolve. A much clearer distinction is made at present between forced adjustment which involves increased distortions and fundamental or positive adjustment which allows the pursuit of balanced growth. Although, conditionality remains a controversial issue, it is widely acknowledged that without a significant improvement in the balance of financial flows and in the other external variables designed to bring greater symmetry to the adjustment process, the efforts of debtor countries could be nullified or even reversed.

8. It is also accepted that without growth of the debtor countries, there could be no effective solution to the debt problems; that growth requires both appropriate national policies and a resumption of external financing; that responsibility must be shared by all the parties involved in the debt problems; and that an enlarged role must be assigned to multilateral development finance institutions. The view was also expressed that the world debt problem calls for more intensive action on the part of the United Nations economic sectors.

9. Listening to the debate and trying to make out what the future has in store for us, I tried to juxtapose officially declared policy options and diagnoses of the authors of the *World Economic Survey 1985*.[a] These policy options are being made, they argue, against a background of pervasive uncertainty induced not only by the volatility of the most critical economic variables but also brought about by seemingly unsustainable or inconsistent national strategies; I do not venture to argue that this verdict has lost the grounds on which it had been founded. I am inclined rather, given my function, to bring out the apparent trend towards a narrowing of differences in policy perceptions and a greater degree of convergence, although still limited, on certain basic questions. I also gladly report on certain policy measures whose positive impact was also described in our debate.

10. Hence, it was noted that although development problems and tension on the debt front had tended to intensify, some of the shortcomings of the recovery process have been reduced in recent months, thanks to efforts to realign exchange rates, lower interest rates and make macro-economic policies more consistent. Some steps have also been taken to stem protectionist pressures. These policy initiatives, as well as the renewed interest in monetary reform, have reflected a heightened awareness of the implications of interdependence, and of the consequent need to strengthen multilateral co-operation.

11. On the other hand, the view was also expressed that, although these initiatives would improve the pattern of recovery and bring some side benefits to developing countries, they had stopped far short of creating a favourable climate for the expansion of international economic co-operation. Policy co-ordination had not been geared towards accelerating significantly the tempo of expansion, which was needed to strengthen commodity prices, the fall in interest rates had been modest, with many countries continuing to suffer massive outflows of financial resources; and protectionism had not stood still, let alone rolled back, notwithstanding the commitments made in that regard.

12. Reference was also made to various other developments which seem to confirm my point concerning a greater intensity of economic debate within the United Nations system. They include: the decision to convene a special session of the General Assembly on the critical economic situation in Africa; the decision to hold a resumed session of the Second Committee in order to give in-depth consideration to ways and means in which international co-operation in the interrelated areas of money, finance, debt, resource flows, trade and development could be promoted effectively; the adoption of General

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[a] United Nations publication, Sales No. E.85.II.C.1.

Assembly resolution 40/205 on the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries; General Assembly resolution 40/173 on international economic security; the decision to launch the GSTP; the International Conference on the Relationship between Disarmament and Development to be held in Paris in July/August 1986; and, the establishment of a preparatory committee in GATT. Obviously, the list is not all-inclusive.

13. I would like to remind you that my predecessor, in his resumé of the outcome of the thirty-first session of the Board, stressed, *inter alia*, the negative consequences of arms expenditure on economic development which are generally recognized. And I believe that the decision of the forthcoming International Conference on the Relationship between Disarmament and Development will further heighten the awareness of this interlinkage and this in turn will have a direct bearing on the future work of UNCTAD, especially in the course of preparations for the seventh session of the Conference.

14. Now that the session is drawing to an end I should like to address myself to the concept of interdependence, which became a battle-cry of our meetings. Quite visibly, it is no longer used in the traditional functionalist sense implying that higher economic interdependence constitutes a fundamental force for better relations among nations. This simplistic approach has been empirically invalidated, as interdependence at work proved to be a double-edged sword involving both costs and benefits. Economic interdependence has been particularly advanced by international economic forces which, as in the story of the sorcerer's apprentice, cannot be effectively controlled, and it often becomes the source of friction and tension in the world economy. This confronts UNCTAD with a serious challenge to make its contributions to the "management of interdependence" in its quest for the best solutions.

15. Naturally, I share the view that interdependence makes us more conscious of our joint responsibility in finding such solutions and working out mutually supportive policies leading to the strengthening of confidence in international economic relations and a greater economic security of States. Regrettably, as pointed out by one group of countries, to date there have been no co-ordinated and meaningful policy initiatives on interdependence.

16. Indeed, one might have thought that the economic difficulties of the past few years would have spawned some enthusiasm for international economic co-operation and even for the reform of the international monetary, financial and trading system. In reality, the past few years may well go down in history as the period when a substantial part of the edifice of international economic co-operation, so patiently built in early post-war years and extended in the subsequent two decades and a half, was gradually dismantled. How do we explain this paradox of growing indifference towards international economic co-operation when the international economy has been under great strain? Part of the explanation lies, of course, in the fact that although things have been rather bad of late, we have so far managed to avoid a major disaster.

17. Our debate revealed, or rather confirmed, a much more fundamental reason—the differences of opinion on the desirable degree of State intervention and regulation in international economic relations. Disassociating myself from those who maintain that international co-operation constitutes a medicine which should be administered solely in small doses, I should like, however, to emphasize the imperative of striking a happy medium in order to avoid throwing the baby out with the bath water.

18. This leads me to the other key question of our debate—the seventh session of the Conference and our duties in preparing it. As a point of departure, I should like to bring to your notice that the need to recognize the shared and long-term interests was often stressed in our debate. It was emphasized in this context that all countries share a common interest in a more stable, more predictable world economy as well as in the strengthening of multilateral economic co-operation. By the same token, all of us seem to be anxious to ensure that a collective joint-gain approach prevails in our future deliberations.

19. Although it is virtually impossible to present now a full list of demands that will be made upon the seventh session of the Conference, I would subscribe to the view of the Secretary-General of UNCTAD that UNCTAD should be "a forum which is at once an agent of change, an instrument of development and a means of projecting a development dimension into work and decision-making undertaken elsewhere". In seeking further progress in UNCTAD activities the wish to seek further improvements in its methods of work has also been clearly spelled out. It is entirely conceivable, I think, for UNCTAD to continue to adjust to the changing requirements of the world situation in order to increase the "propensity for co-operation" of its member States, enhancing, whenever possible, the volume and range of their co-operative interactions.

20. Luckily, we all agree on what should be done away with. Admittedly, the time has come to change the nature of the dialogue within UNCTAD, which, as stated once by Machkund Dubey, "has become too general and too repetitive without being cumulative". We should stop rehearsing Harold Pinter's play of persons talking right past one another.

21. In order to reverse this tendency, it is necessary—I assert with so many others—to restore the capacity of UNCTAD properly to discharge the functions for which it has been created. To begin with, the seventh session of the Conference should realistically identify the causes of present difficulties and obstacles in co-operation and formulate concrete proposals on how to reconcile conflicting interests and to make the system more relevant and workable without losing its main developmental thrust, integrity and purpose. We cannot delude ourselves—the task is not going to be an easy one. Still, we are facing economic changes of such magnitude and complexity that no country can adjust to them in isolation. Let us give it a try within, rather than beyond, the scope of UNCTAD. Pessimists and optimists alike are bound to agree with the Secretary-General of the United Nations, who stated in his latest report on the work of the Organization[b] that the United Nations cannot—and was not intended to—solve all the problems of the international community, but it is the best place to avoid the worst and to strive for improvement.

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[b] *Official Records of the General Assembly, Fortieth Session, Supplement No. 1* (A/40/1).

Annex III

TEXTS SUBMITTED DURING THE FIRST PART OF THE THIRTY-SECOND SESSION OF THE BOARD

Global review and appraisal of the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries

DRAFT RESOLUTION SUBMITTED BY CHILE ON BEHALF OF THE STATES MEMBERS OF THE GROUP OF 77[a]

[TD/B(XXXII)/SC.I/L.2]

The Trade and Development Board,

Recalling the Substantial New Programme of Action for the 1980s for the Least Developed Countries,[b] which in paragraph 119 called on the Intergovernmental Group on the Least Developed Countries at its mid-term review to consider the possibility of holding a global review at the end of the decade, which might, *inter alia*, take the form of a United Nations conference on the least developed countries,

Further recalling General Assembly resolution 40/205 of 17 December 1985, in paragraph 12 of which the General Assembly decided to hold a global review and appraisal of the implementation of the Substantial New Programme of Action in 1990 at a high level and, in paragraph 13, decided that the precise level, mandate, date and venue for such a review, as well as the preparatory process, should be determined at its forty-second session, in the light of the consultations that will take place under the auspices of the United Nations Conference on Trade and Development, including those of the seventh session of the Conference,

Decides to recommend to the General Assembly at its forty-second session:

(*a*) To convene a United Nations conference on the least developed countries in 1990:

(i) To review the progress in the implementation of the Substantial New Programme of Action at the country level during the 1980s;

(ii) To review progress in international support measures and particularly in official development assistance, other financial flows and external trade measures;

(iii) To finalize and adopt the Substantial New Programme of Action for the 1990s for the Least Developed Countries;

(*b*) To designate the UNCTAD Intergovernmental Group on the Least Developed Countries to act as a preparatory committee for the United Nations conference on the least developed countries;

(*c*) To request the Intergovernmental Group on the Least Developed Countries to recommend to the General Assembly at its forty-third session the exact date and venue in 1990 for convening the conference.

[a] See para. 444 of the present report.

[b] *Report of the United Nations Conference on the Least Developed Countries, Paris, 1-14 September 1981* (United Nations publication, Sales No. E.82.I.8), part one, sect. A.

Protectionism and structural adjustment

DRAFT RESOLUTION SUBMITTED BY INDIA ON BEHALF OF THE STATES MEMBERS OF THE GROUP OF 77[c]

(TD/B(XXXII)/SC.II/L.2]

The Trade and Development Board,

Recalling resolutions 96 (IV) of 31 May 1976, 131 (V) of 3 June 1979 and 159 (VI) of 2 July 1983 of the United Nations Conference on Trade and Development on the subject of protectionism and structural adjustment,

Bearing in mind Trade and Development Board resolution 226 (XXII) of 20 March 1981, decision 250 (XXIV) of 19 March 1982, resolution 286 (XXVIII) of 6 April 1984 and decision 310 (XXX) of 29 March 1985,

Recognizing the useful role which the two previous annual reviews of protectionism and structural adjustment have played in highlighting the seriousness of the problem, and also the need for making such annual reviews more effective and for devising a coherent framework for analysis of the situation and trends for concrete action towards halting and rolling back protectionism and eliminating trade barriers,

1. *Decides* that the existing guidelines for annual reviews should be supplemented by the following:

(*a*) The reviews should concentrate on sector-specific analysis;

(*b*) The sectors to be chosen should be of particular export interest to developing countries;

(*c*) There should be continued identification of new product areas of interest to developing countries;

(*d*) The analysis should lead to recommendation of concrete trade policy measures to be adopted by the developed countries;

2. *Agrees* that, in this context, the information contained in the UNCTAD Data Base on Trade Measures should be disseminated amongst the member States as quickly as possible;

3. *Further decides* that in order to facilitate concrete action, the mechanism for formulation of recommendations and their implementation should be strengthened, and to this end, the following elements should form an integral part of the coherent framework for analysis and action:

(*a*) An intergovernmental group of experts should be set up to constitute an inter-sessional mechanism to address the task of carrying out sector-specific analysis based on secretariat documentation and formulating appropriate recommendations for action;

(*b*) Based on such recommendations, a time-frame for implementation of the recommendations should be agreed upon as part of the annual reviews in the Board sessions;

(*c*) The annual Board sessions should provide a forum for monitoring and surveillance of the implementation of the actions agreed upon;

4. *Agrees* that a coherent and concrete plan of action to implement the standstill and roll-back commitments in all sectors of trade of particular interest to developing countries is an essential prerequisite for any meaningful exercise on general trade liberalization. Such action alone would build confidence in the multilateral trading system. With-

[c] See para. 707 of the present report.

out such action the work in the area of protectionism and structural adjustment would continue to remain at the level of general analysis and lack credibility;

5. *Further agrees* that:

(*a*) The solemn and long-standing commitment undertaken by developed countries to halt protectionism by fully implementing and strictly adhering to the standstill provisions in all sectors of trade concerning imports from developing countries be implemented without further delay;

(*b*) Developed countries work systematically towards reducing and eliminating quantitative restrictions and measures having similar effect in relation to products exported by the developing countries, in accordance with the commitments undertaken;

(*c*) The developed countries should roll back protectionist measures in all sectors of trade not consistent with or outside the framework of the non-discriminatory and open multilateral trading system, within a short and definite time-frame;

(*d*) The present trade régime in textiles and clothing should be liberalized in terms of the removal of discriminatory restraints by developed importing countries as well as its phase out over an agreed time-frame under strengthened GATT discipline;

(*e*) Developed countries should refrain from subsidizing exports of agricultural products competing with the exports of developing countries;

(*f*) Tariff escalation and intensification of non-tariff measures at higher stages of processing of agricultural and agro-based products should be eliminated by developed countries so as to encourage development and expansion of higher value-added export-oriented production in developing countries;

(*g*) The special problems of the least developed countries should be kept in view and special attention should be paid to their needs;

(*h*) A collective commitment be undertaken by all to negotiate, on a priority basis, a comprehensive agreement on safeguards based on the principle of non-discrimination.

Protectionism and structural adjustment

POSITION PAPER ON THE OUTCOME OF THE DISCUSSIONS IN SESSIONAL COMMITTEE II SUBMITTED BY AUSTRALIA ON BEHALF OF THE STATES MEMBERS OF GROUP B[d]

[TD/B(XXXII)/SC.II/L.3]

With a view to assessing the work of this Sessional Committee on protectionism and structural adjustment and taking into account that unfortunately during the thirty-second session of the Board agreed conclusions on this issue could not be reached, Group B submits formally the following elements for what in its view should be common ground among all participating countries on the question of how to continue to address the problem of protectionism and structural adjustment in a constructive way.

The submission aims at indicating Group B's willingness to continue discussion of these important issues:

The importance of work on protectionism and structural adjustment as noted in Conference resolution 159 (VI) has been reaffirmed in Board resolution 286 (XXVIII). Further work is needed in fulfilling the mandate granted pursuant to decision 250 (XXIV) and decision 286 (XXVIII).

The protectionism and structural adjustment review should remain general in nature and the subject matter needs to be considered in a consistent way, covering all countries and groups of countries. Better statistics and information covering all States members of UNCTAD would contribute to a more balanced and accurate global review.

Some of the documentation for the discussion on protectionism and structural adjustment has improved from past years. However, there are areas for improvement that should be pursued by the secretariat in its efforts to provide more balanced documentation.

To assist the Committee in continuing to pursue its existing mandate, the secretariat should address more adequately the factors involved in structural adjustment, with comparable attention to all groups, including the role of domestic policies and the positive results that have been achieved through participating more fully in the trading system.

The importance of strengthening the open multilateral trading system is recognized and it is the responsibility of all States members of UNCTAD to resist protectionism and further the process of structural adjustment.

The importance is recognized also of global trade liberalization in fostering structural adjustment, trade expansion, and economic growth. A new round of trade negotiations in GATT is essential towards this end.

With respect to the UNCTAD Data Base on Trade Measures, it is recognized that additional clarification and work will be necessary before its dissemination can be considered. A second meeting of the Intergovernmental Group of Experts should be considered, on the basis of good preparation, taking into account the comments made by various delegations and groups, and leading to substantive technical discussion.

[d] See para. 707 of the present report.

Annex IV

PROVISIONAL AGENDA FOR THE FIFTEENTH SPECIAL SESSION OF THE BOARD[a]

1. Procedural matters:
   (*a*) Adoption of the agenda and organization of the work of the session;
   (*b*) Adoption of the report on credentials.
2. Compensatory financing of export earnings shortfalls: report of the Intergovernmental Group of Experts convened pursuant to Board decision 317 (S-XIV).
3. Other business.
4. Adoption of the report of the Board.

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[a] See para. 779 of the present report.

Annex V

PROVISIONAL AGENDA FOR THE THIRTY-THIRD REGULAR SESSION OF THE BOARD[a]

1. Procedural matters:
   (*a*) Election of officers;
   (*b*) Adoption of the agenda and organization of the work of the session;
   (*c*) Adoption of the report on credentials;
   (*d*) Provisional agenda for the thirty-fourth regular and sixteenth special sessions of the Board and organization of the work of the sessions.
2. Specific matters arising from the resolutions, recommendations and other decisions adopted by the Conference at its sixth session requiring attention or action by the Board at its thirty-third session.
3. Interdependence of problems of trade, development finance and the international monetary system.
4. Debt and development problems of developing countries.
5. Seventh session of the United Nations Conference on Trade and Development: preparations for the session.
6. Trade relations among countries having different economic and social systems and all trade flows resulting therefrom.
7. Matters requiring action by the Board arising from or related to reports and activities of its subsidiary and other bodies.
8. Other matters in the field of trade and development:
   (*a*) Specific action related to the particular needs and problems of land-locked developing countries;
   (*b*) Export promotion: report of the Joint Advisory Group on the International Trade Centre UNCTAD/GATT on its nineteenth session;
   (*c*) Progressive development of the law of international trade: nineteenth annual report of the United Nations Commission on International Trade Law.
9. Programme evaluation in UNCTAD.
10. Institutional, organizational, administrative and related matters:
    (*a*) Treatment of new States members of UNCTAD for purposes of elections;
    (*b*) Announcement of any changes in the membership of the Board and election to membership of main Committees;
    (*c*) Membership of the Working Party on the Medium-term Plan and the Programme Budget for 1987;
    (*d*) Designation of intergovernmental bodies for the purposes of rule 78 of the rules of procedure of the Board;
    (*e*) Designation and classification of non-governmental organizations for the purposes of rule 79 of the rules of procedure of the Board;
    (*f*) Review of the question of the timely issuance of UNCTAD documentation in all official languages and the rational use of conference resources (Board resolution 282 (XXVIII) and General Assembly resolution 40/243, section II, paragraph 3);
    (*g*) Scheduling of sessions of the Board;
    (*h*) Review of the calendar of meetings;
    (*i*) Administrative and financial implications of the actions of the Board;
11. Other business.
12. Adoption of the report of the Board.

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[a] See paras. 779-780 of the present report.

Annex VI

MEMBERSHIP OF MAIN COMMITTEES OF THE BOARD[a]

Committee on Commodities

Algeria
Argentina
Australia
Austria
Bahrain
Bangladesh
Belgium
Bolivia
Brazil
Bulgaria
Burkina Faso
Burma
Burundi
Cameroon
Canada
Central African Republic
Chad
Chile
China
Colombia
Costa Rica
Côte d'Ivoire
Cuba
Czechoslovakia
Democratic People's Republic of Korea
Democratic Yemen
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
Ethiopia
Finland
France
Gabon
German Democratic Republic
German, Federal Republic of
Ghana
Greece
Guatemala
Guinea
Haiti
Honduras
Hungary
India
Indonesia
Iran (Islamic Republic of)
Iraq
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Kenya
Kuwait
Liberia
Libyan Arab Jamahiriya
Madagascar
Malaysia
Malta
Mauritius
Mexico
Morocco
Netherlands
New Zealand
Nicaragua
Nigeria
Norway
Pakistan
Panama
Peru
Philippines
Poland
Qatar
Republic of Korea
Romania
Rwanda
Saudi Arabia
Senegal
Somalia
Spain
Sri Lanka
Sudan
Sweden
Switzerland
Syrian Arab Republic
Thailand
Togo
Trinidad and Tobago
Tunisia
Turkey
Uganda
Union of Soviet Socialist Republics
United Arab Emirates
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Viet Nam
Yemen
Yugoslavia
Zaire

Committee on Economic Co-operation among Developing Countries

Algeria
Argentina
Australia
Austria
Bahrain
Bangladesh
Belgium
Benin
Bolivia
Brazil
Bulgaria
Burma
Cameroon
Canada
Central African Republic
Chile
China
Colombia
Costa Rica
Côte d'Ivoire
Cuba
Cyprus
Czechoslovakia
Democratic People's Republic of Korea
Democratic Yemen
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
Ethiopia
Finland
France
Gabon
German Democratic Republic
Germany, Federal Republic of
Ghana
Greece
Guatemala
Guyana
Haiti
Honduras
Hungary
India
Indonesia
Iran (Islamic Republic of)
Iraq
Ireland
Israel
Italy
Jamaica
Japan
Jordan
Kenya
Kuwait
Lebanon
Liberia
Libyan Arab Jamahiriya
Madagascar
Malaysia
Malta
Mauritius
Mexico
Morocco
Netherlands
New Zealand
Nicaragua
Nigeria
Norway
Oman
Pakistan
Panama
Peru
Philippines
Poland
Qatar
Republic of Korea
Romania
Saudi Arabia
Senegal
Singapore
Somalia
Spain
Sri Lanka
Sudan
Suriname
Sweden
Switzerland
Syrian Arab Republic
Thailand
Togo
Trinidad and Tobago
Tunisia
Turkey
Uganda
Union of Soviet Socialist Republics
United Arab Emirates
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Uruguay
Venezuela
Viet Nam
Yemen
Yugoslavia
Zaire
Zambia

[a] See para. 755 of the present report.

Annex VII

CHECK-LIST OF DOCUMENTS

NOTE. An asterisk after the document number indicates that the document is reproduced in the *Official Records of the Trade and Development Board, Thirty-second Session, Annexes*. All documents are issued in mimeographed form, unless otherwise indicated.

Document No.	*Title*	*Agenda item*	*Observations and references*
TD/B/1077 (vol. II)	Report of the Trade and Development Board on its thirty-first session		*Official Records of the Trade and Development Board, Thirty-first Session, Supplement No. 1A*
TD/B/1078-* TD/B/AC.17/28	Report of the Intergovernmental Group on the Least Developed Countries on its sixth session (30 September-12 October 1985)	7(*a*)	
TD/B/1079-TD/B/WP/42	Report of the Working Party on the Medium-term Plan and the Programme Budget on its tenth session (14-18 October 1985)	7(*e*)	*Ibid., Thirty-second Session, Supplement No. 2*
TD/B/1080 and Add.1	Provisional agenda and annotations	1(*b*)	
TD/B/1080/Add.2	Organization of the work of the session: note by the UNCTAD secretariat	1(*b*)	
TD/B/1081 (Part I) and (Part II)*	Problems of protectionism and structural adjustment: report by the UNCTAD secretariat	6	
TD/B/1082*	The drought and the external trade of the countries members of the Permanent Inter-State Committee on Drought Control in the Sahel (CILSS): report by the UNCTAD secretariat	2	
TD/B/1083-TD/B/C.7/78	Report of the Committee on Economic Co-operation among Developing Countries on its fourth session (18-29 November 1985)	7(*c*)	*Ibid., Supplement No. 3*
TD/B/1084	UNCTAD activities in favour of Cape Verde, Vanuatu and Uganda: report by the UNCTAD secretariat	8(*a*)	
TD/B/1085-TD/B/C.1/283	Report of the Committee on Commodities on its eleventh session (2-13 December 1985)	7(*d*)	*Ibid., Supplement No. 4*
TD/B/1086 and Corr.1*	Problems of agro-industrial production and trade: report by the UNCTAD secretariat	6	
TD/B/1087 and Add.1-4	Information provided by States members of UNCTAD for the annual review by the Board on protectionism and structural adjustment: note by the UNCTAD secretariat	6	
TD/B/1088-* TD/B/AC.42/3	Report of the Intergovernmental Group of Experts on Definitions and Methodology Employed in the UNCTAD Data Base on Trade Measures (3-7 February 1986)	6	
TD/B/1089-TD/B/WP/45	Report of the Working Party on the Medium-term Plan and the Programme Budget on its eleventh session (24-26 February 1986)	7(*e*)	*Ibid., Supplement No. 5*
TD/B/1090	Note by the UNCTAD secretariat transmitting the joint statement by the Presidents of Mexico and Venezuela (Cancún, 30 January 1986)	3	
TD/B/1091	Agenda as adopted by the Board	1(*b*)	
TD/B/1092	Report of the Chairman of the Informal Working Group on the scheduling of the regular sessions of the Board	9(*e*)	
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TD/B/1094	Note by the UNCTAD secretariat	9(*d*)	
TD/B/1095	Report of the Bureau on credentials	1(*c*)	
TD/B/1096 (vol. I)	Decisions adopted by the Board at the first part and second parts of its thirty-second session		*Ibid., Supplement No. 1*

Document No.	*Title*	*Agenda item*	*Observations and references*
TD/B/1097	Annotated order of business and suggested organization of work of the second part of the thirty-second session: note by the UNCTAD secretariat	1 (*b*)	
TD/B/L.789	Note by the UNCTAD secretariat concerning resolution 2(II) adopted by the *Ad Hoc* Intergovernmental Group to Consider Means of Combating all Aspects of Maritime Fraud, including Piracy	7(*b*)	
TD/B/L.790	Note by the UNCTAD secretariat concerning resolution 6 (XI) on maritime liens and mortgages adopted by the Working Group on International Shipping Legislation	7(*b*)	
TD/B/L.791	Preparation of the provisional agenda for the seventh session of the Conference: note by the Secretary-General of UNCTAD	5	
TD/B/L.792	System-wide policy issues affecting operational 10 (*a*) activities: note by the UNCTAD secretariat	10(*a*)	
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TD/B/L.795 and Add.1-18	Draft report of the Trade and Development Board on its thirty-second session	11	
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TD/B/L.797	Provisional agenda for the thirty-third session of the Board and organization of the work of the session: note by the UNCTAD secretariat	1(*d*)	
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TD/B/L.805	Draft decision submitted by the President	5	*Idem*, decision 336 (XXXII)
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TD/B/INF.148	List of UNCTAD meetings for the remainder of 1986 and schedule for 1987		
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TD/B/R.45/Add.1	Application by the Association of Soluble Coffee Manufacturers of the Countries of the EEC: note by the UNCTAD secretariat	9(*d*)	
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TD/B(XXXII)/SC.I/L.2	Global review and appraisal of the implementation of the Substantial New Programme of Action for the 1980s for the Least Developed Countries: draft resolution submitted by Chile on behalf of the States members of the Group of 77	7(*a*)	
TD/B(XXXII)/SC.I/L.3	*Idem:* draft decision submitted by the Chairman of Sessional Committee I	7(*a*)	*Idem*, decision 329 (XXXII)
TD/B(XXXII)/SC.I/L.4	Draft decision submitted by the Chairman of Sessional Committee I	10(*a*)	*Idem*, decision 330 (XXXII)
TD/B(XXXII)/SC.I/L.5	*Idem*	2	*Idem*, decision 328 (XXXII)

Document No.	*Title*	*Agenda item*	*Observations and references*
TD/B(XXXII)/SC.II/L.1 and Add.1-3	Draft report of Sessional Committee II	6	
TD/B(XXXII)/SC.II/L.2	Draft resolution submitted by India on behalf of the States members of the Group of 77	6	
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